FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Sink or swim together for West European economies, Page 18

NEWS SUMMARY

GENERAL

Nato ministers plan new initiative

Nato ministers this week will focus their attention on moves to improve East-West relations, on a "firmness with dialogue" theme.

Defence and foreign ministers will meet in Brussels for the first time since new U.S. nuclear missiles arrived in Europe and since the Soviet Union walked out of talks in Geneva on medium-range arms control. Today, the group of 11 European defence ministers will meet. All 13 defence ministers in Nato's integrated structure are to meet tomorrow and on Wednesday, and 16 foreign ministers, including those of France, Iceland and Spain, on Thursday and Friday.

Britain's former Foreign Secretary, Lord Carrington, is expected to be named to succeed Dr Joseph Luns as Nato secretary-general. Page 20

Vatican mediation

Secretary of State Cardinal Agostino Casaroli said the Vatican wanted to mediate between the U.S. and the Soviet Union on reviving talks on limitation of medium-range nuclear arms in Europe.

Release plea

Pope John Paul appealed for the release of Colombian President Belisario Betancur's brother Jaime, kidnapped by Left-wing guerrillas last month.

Iran claims success

Iran said its forces repulsed an Iraqi offensive in the northern sector of the Gulf war front and denied Iraqi charges that it had bombarded civilian areas in Iraq.

New Soviet deal

Soviet leadership called for speedier introduction of the "team contract" system to make workers' wages depend more closely on performance.

Dutch go-slow ends

Dutch railway unions called off their seven-week campaign of strikes and go-slows against cuts in public-sector wages because other workers had started working normally and it was no longer effective.

Papandreou protest

Greek Premier Andreas Papandreou has written to Soviet leader Yuri Andropov, criticising Soviet plans to increase deployment of land and sea-based nuclear weapons systems to counter U.S. installation of Pershing and cruise missiles in Western Europe. A West German aide of Chancellor Helmut Kohl said Mr Andropov was in better health, and would probably be back at his Kremlin desk in a week.

Newspaper banned

Military rulers in Turkey banned indefinitely the publication of the country's best-selling newspaper, Hürriyet.

Two shot in Ulster

British security forces shot dead two armed men at Coalisland, Ulster, who failed to answer a challenge.

Space 'hams' talk

U.S. astronaut Owen Garriott, passing over the Middle East in space shuttle Columbia, had a talk with King Hussein of Jordan, a fellow radio "ham," in Amman.

Briefly...

Perez Prado, 57, Cuban-born band leader, died in Milan.

Golf: Severiano Ballesteros (Spain) took his richest prize, $300,000, for winning the Sun City Challenge tournament in Bophuthatswana, South Africa, on 274.

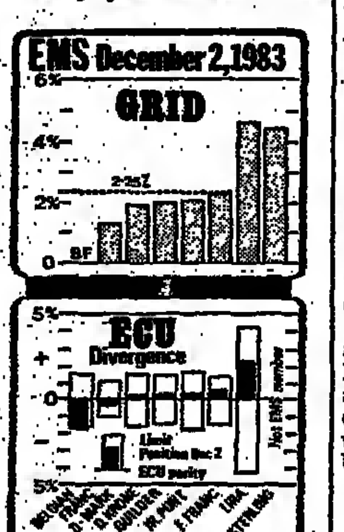
BUSINESS

Rumasa seizure 'narrowly backed'

● SPANISH Government seizure of the heavily indebted Rumasa group was declared constitutional on the vote of the tribunal president, after it had divided six-six, according to a Madrid report yesterday. Page 2

● CHINA'S foreign exchange reserves were $14.07bn at the end of September, 52 per cent up on a year before, and rising at the rate of more than $1bn a quarter, according to Bank of China figures.

● THE BELGIAN franc remained depressed within the European Monetary System last week. It was outside its divergence limit and again the weakest member.



There was no heavy pressure however, with the Belgian central bank able to reduce its level of intervention in the foreign exchange market from the week before. That was partly a reflection of the recent 1-point increase in the Belgian discount rate to 10 per cent.

The French franc was the strongest currency bound by the 2¼ per cent limit. That was despite a fall in French interest rates, as the authorities took advantage of renewed confidence in the French franc.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● LLOYD'S OF LONDON, the international insurance market, should make substantial changes in its business practices, according to an internal report. Page 27

● ELDERS-IXL of Australia launched an A$972m (U.S.$885m) counter-bid for Carlton and United Breweries, the country's biggest brewer.

● QUEENSLAND is hoping to persuade a foreign car maker to take over a Brisbane plant due to close next year. Page 3

● DALLAS auctioneers Jim Davis today start a three-day sale in Chelsea, London, selling oilfield equipment, the main item being a $2m rig owned by French company Forex Neptune, lying off Port Harcourt, Nigeria.

● BRITISH NUCLEAR FUELS, which is building a £1.2bn ($1.75bn) reprocessing plant in Cumbria, north England, is talking to its customers about charging some 30 per cent more for reprocessing spent nuclear fuel. Page 11

● AEG-TELEFUNKEN, the struggling West German electricals group, says it is making progress on the way back to profitability. Page 22

● AGIP, the Italian state-owned oil company, has concluded a deal with China to explore for oil in the South China Sea. Page 3

● RHÔNE-POULENC, the nationalised French chemicals and textiles group, has made changes in its management. Page 22

Reagan warns of further 'defensive' raids on Syrians

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

The Reagan Administration yesterday insisted that its air strike against Syrian positions in Lebanon was purely defensive and not part of a plan "to push Syria out of Lebanon."

The assertion came mid-way through a day of intense clashes involving the U.S. forces, with marines later last night under rocket and artillery attack around Beirut airport. Ships of the U.S. Sixth Fleet went into action to return the shell fire.

The Lebanese Army and Druze militiamen were meanwhile locked in an artillery bombardment in the nearby Chouf mountains.

Earlier, 28 U.S. Navy bombers struck at Syrian anti-aircraft batteries in eastern Lebanon, losing two aircraft, in the first such confrontation with Soviet-backed Syrian troops since U.S. marines were sent to Beirut 16 months ago.

President Ronald Reagan, who personally authorised the raid, said that he did not want a military confrontation with Syria, but he made clear that the U.S. would respond again if its forces were attacked. The State Department admitted that two U.S. jets, an A-7 Corsair and an A-6 Intruder, were shot down in the raid.

Mr Reagan said that yesterday's air strike was not co-ordinated with Israel. The U.S. had not known in advance about Israel's air strikes on Saturday and had not forewarned Israel about yesterday's U.S. raid, he said.

In Jerusalem, an Israeli Cabinet spokesman denied that there was a concerted military raid against Syria.

Mr Lawrence Eagleburger, the Under-Secretary for State for Political Affairs, said the U.S. strike had been launched after American reconnaissance flights came under heavy Syrian anti-aircraft fire on Saturday. The U.S. raid "took out" a Syrian command and control centre and two other sites that bad fired against the U.S. reconnaissance aircraft, be said.

Mr Eagleburger insisted that the action was not a consequence of last week's new U.S.-Israeli political and military co-operation agreement. Syria had been warned "earlier" that if it fired on American aircraft, the U.S. would defend itself, he said.

"If we do not get shot at, we will not fire at them," Mr Eagleburger added. He insisted that the U.S. was not preparing to go to war against Syria. Mr Caspar Weinberger, the U.S. Defence Secretary, warned in Paris last night that there could be further air strikes, however.

Mr Eagleburger accepted that the U.S. had to be careful, given Syria's military alliance with the Soviet Union. But he said that U.S. interests could not be "totally dominated" by the closeness of the Soviet-Syrian relationship.

Syria called for international and Arab action against what it called America's aggressive policy in Lebanon and the Middle East.

Mr Abdel Halim Khaddam, the Syrian Foreign Minister, sent messages to Sr Javier Pérez de Cuellar, the UN Secretary General, as well as the leader of the Arab League and Mr P. V. Narasimha Rao, the Indian Foreign Minister, as chairman of the non-aligned group of countries.

Saudi Arabia urged Syria to abstain from any military measure against the U.S. fleet offshore, according to diplomats in Damascus.

Mr Reagan said the American reconnaissance flights over Lebanon were vital to the U.S. marine peace-keeping presence in Beirut and that the flights would continue. He hoped that the raid would not make the withdrawal of Syrian forces more difficult but rather would work "the other way."

Following the visit to Washington last week of President Amin Gemayel of Lebanon, the Administration has pledged to step up military and economic aid to his government.

How U.S. options ran out, Page 20; Air strikes "not part of pact," Page 2

Brazil steps up efforts to reach loan target

BY ANDREW WHITLEY IN RIO DE JANEIRO AND PETER MONTAGNON IN LONDON

THE BRAZILIAN Government and its international bank advisory committee are engaged in a race against time to conclude the country's new $6.5bn loan, arrange the disbursement of up to half the funds, and clear up Brazil's arrears on interest payments to the banks—all before the end of the month.

Subscriptions for the loan are believed to have stuck at just over $6bn, and the Brazilian authorities will this week endeavour to get commitments nearer the target in time for a planned signing about December 14.

A top official, probably Sr Antonio Delfim Netto, the Planning Minister, is to go to the Middle East at the end of the week to lobby a number of reluctant banks there.

Apart from the region's two large international banks, Arab Banking Corporation and Gulf International, few banks in the Middle East have agreed to take part in the loan.

The amount "missing" from these Middle East banks – about $70m – is tiny in comparison with the scale of the refinancing programme. But given the tightness of the overall figures, every dollar is being treated as important.

The reluctance of European Brazilian Bank (Eurobraz), the consortium bank, to put up its $100m share of the credit has also led a number of other small banks to withhold their subscriptions, according to bankers in New York.

Pressure is now growing on Eurobraz's non-Brazilian shareholders to provide the funding support that the bank needs to make its contribution. These shareholders are Bank of America, Deutsche Bank, Union Bank of Switzerland and Daiichi Kangyo. The Brazilian shareholder, Banco do Brasil, bas already agreed to provide support.

The Brazilian Government has told Mr William Rhodes, chairman of the advisory committee, that it expects Eurobraz to make its contribution by tomorrow. That would give a new impetus to the loan.

An International Monetary Fund mission starts work in Brasilia today checking the government's latest statistics, particularly those on the public-sector deficit and money-supply targets for 1983. A more high-powered team is scheduled to return in February to negotiate detailed targets for the last three quarters of 1984.

Meanwhile, Brazil is to receive the last $1.8bn disbursement from its previous $4.4bn bank credit next Monday.

● The Brazilian Congress has approved a new and milder national security law, under which about 22 political prisoners are likely to benefit. The number of offences has been reduced from 40 to 22, and the press is no longer subject to its dictates.

Yugoslavia opens negotiations on fresh IMF standby credit

BY DAVID BUCHAN IN LONDON

YUGOSLAVIA will open talks today with International Monetary Fund officials in Belgrade on the possibility of a new IMF standby credit. Its current three-year standby arrangement runs out this month, and it still has large foreign debts to pay next year.

Whether or not it decides to lend again, the IMF is already involved in co-ordinating Western government and commercial bank support for Yugoslavia. In separate talks today in London, Mr Janko Smole, the chief Yugoslav foreign debt negotiator, and Mr Alan Whittome, head of the IMF European section, will meet Yugoslavia's main creditor banks to discuss 1984 debt refinancing.

Yugoslavia is hoping for a mixture of rescheduling and fresh financing to cover its 1984 medium and long-term debt maturities of $3bn, Mr Zvone Dragan, the vice-premier in charge of the economy, said in Belgrade recently. Yugoslavia does not want to increase next year its current hard-currency indebtedness of $18bn, be said.

That contrasts with this year's more ambitious $4.5bn credit and rescheduling package by Western institutions, governments and banks, which was designed to give the Yugoslav economy a one-off boost.

However, the mechanism of IMF co-ordioation will appareotly be the same next year as this year. Fund officials and Mr Smole met officials of 15 Western governments and Kuwait in Switzerland last month to discuss their possible 1984 contribution.

During the recent visit to London by Mrs Milka Planinc, the Yugoslav Prime Minister, Britain indicated its willingness to play a part. This year the UK lent £37m ($53.6m) and extended repayment terms on a similar amount. The Western political interest is to sustain a non-aligned country adjacent to the Warsaw Pact.

Western banks and governments are to a large extent counting on Yugoslavia's reaching terms with the IMF on a new standby accord before committing themselves for 1984.

On the Yugoslav side, Mr Dragan admitted that IMF backing was "very important for the treatment of Yugoslavia by international capital markets and creditors," as well as providing the Planinc Government with support against its domestic critics.

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Thatcher stresses fair EEC budget

By John Wyles and Paul Cheeseright in Athens

ONE OF the most crucial summits ever of the European Community opened in Athens yesterday with a stern lecture from Mrs Margaret Thatcher, the British Prime Minister, on the need to avoid "fudged compromise," on the main question of internal Community reforms.

Projecting herself as a Community stateswoman anxious for agreement which "would be fair to us all," Mrs Thatcher emphasised that "viewed in the wider perspective of East-West relations and the problems of the international economy the issues that divide us are relatively small."

However, she failed with the main purpose of her remarks, which was to persuade the summit to deal first with the search for a permanent solution to the British budget payments problem and for a more effective control over future Community spending.

Instead, the heads of government began their three-day meeting with a detailed and largely fruitless debate on how to cut spending in the EEC's costly dairy sector. Positions remained far apart on the levels of quotas to be imposed on milk production and on whether Ireland, Italy and Greece should enjoy any exemptions.

Mr Andreas Papandreou, the Greek Prime Minister who is the summit host and chairman, had put agricultural reform first on the agenda. He plans to turn to the budget issues this morning, having apparently relished the lack of support for Mrs Thatcher's attempt to force through her alternative approach yesterday.

With so many hours of negotiation still to go, yesterday's lack of progress does not confirm predictions that the summit will be a failure. President François Mitterrand of France was said to be impressed by Mrs Thatcher's "striking firmness," according to a French spokesman, who added that the nine other member states were, by contrast, approaching the discussions "in a spirit of compromise."

This was not immediately apparent from the dairy negotiations. British officials believe that the summit may in fact reach little detailed agreement on agriculture. But this will not,

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Mauroy in bid to reassure over coal jobs

BY PAUL BETTS IN PARIS

PROPOSALS by Charbonnages de France (CDF), the French coal board, to reduce its total workforce next year by nearly 14 per cent, or 8,000 jobs, have caused a political controversy in France.

M Pierre Mauroy, the Prime Minister, sought to reassure the miners' unions and the Communist Party at the weekend by saying the Government had not yet decided the fate of the French coal industry and that it would finalise its coal programmes in January.

While not denying proposals to shed up to 8,000 jobs next year, CDF emphasised that it had not yet finalised its own restructuring programmes, due to be reviewed by the CDF board later this month.

However, the trade unions and the Communist Party, the junior partner of the French left-wing Government, voiced concern at plans for the coal industry after the coal board's job reduction proposals were leaked at the weekend.

The latest plan follows the last month's resignation of M Georges Valbon, the Communist chairman of the coal board, in protest against the Government's decisioo to freeze subsidies to the coal industry and support a large scaling back in coal production.

The Government has decided to freeze coal subsidies next year at last year's level of FFr 6.5bn ($792m). That will mean that coal production, which totalled 20m tonnes in 1982 and is expected to decline to a little over 18.5m tonnes this year, will have to drop to 18m tonnes next year. In turn, that implies pit closures and reductions in the 58,000 people presently employed by CDF.

The coal issue is particularly delicate for the Prime Minister, who in 1981 announced a renaissance for the French coal industry after the victory of the left in the 1981 elections. M Mauroy had said French coal production would be boosted to 28m to 30m tonnes a year and CDF started hiring new miners.

Coal bas become the victim of revisions in the national energy plan, largely as a result of nuclear power. With losses expected to total FFr 800m this year and debts of FFr 14.5bn, CDF has been studying a restructuring programme for some months.

Among proposals being studied are plans for up to 2,000 miners a year to be moved to Electricite de France, the electricity utility; financial incentives for young miners to leave or be retrained for other jobs; and early retirements. There are 2,000 miners under the age of 30.

The Government, however, wants to avoid making direct redundancies in the coal industry because of the political implications while tension is growing between the Communists and the Socialists on industrial policy.

The miners' unions are to meet today to decide on action to fight the job reduction proposals.

Enasa receives more cash from Madrid

BY KENNETH GOODING IN MADRID

ENASA, the Spanish state-owned Pegaso-truck and bus group, is to receive a further Pta 12bn ($77m) of government money. The cash will be injected in 1984 by the Spanish Government's industrial holding company, INI, in exchange for new shares in Enasa.

The new state cash will go towards Enasa's 1983-87 investment programme of Pta 15.7bn.

Sr Federico Sotomayer, the executive president of Enasa, said the INI financial support also recognises the efforts his company bas made to cut costs and reduce losses – Pta 8.89bn in 1982 following a net loss of Pta 11.5bn the previous year.

The company expects to incur a further loss for 1983 of about Pta 2.4bn, but this will be after Pta 3.5bn of non-recurring extraordinary costs, mainly to cover a reduction in the workforce from 12,600 to just over 10,000.

Sr Sotomayer said that in 1983 Enasa bas a positive cash flow compared with a Pta 3.3bn cash flow deficit last year. He insists that in 1984 Enasa will produce a profit before tax of Pta 1bn and continue to have a positive cash flow.

Sr Sotomayer suggests that INI is putting further financial weight be-

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Clearance for Rumasa takeover, Page 2

CONTENTS

Israel says air strikes not part of U.S. accord

BY DAVID LENNON IN TEL AVIV

ISRAEL agreed in Washington with the U.S. last week to apply pressure on Syria to withdraw its forces from Lebanon, foreign ministry officials said in Jerusalem yesterday.

However, they denied that the weekend air strikes by Israeli and U.S. warplanes against targets inside the Syrian-controlled sector of Lebanon were a co-ordinated part of this new pressure.

The officials insisted that the agreement reached in talks between Mr Yitzhak Shamir, the Prime Minister, and President Ronald Reagan referred only to political pressure on Syria.

But Mr Shamir, who said on his return here that both governments "are agreed that Syria is the main obstacle to peace and stability in Lebanon," did not rule out military action. He simply said that both countries "preferred" to employ peaceful means to resolve the problems in Lebanon.

Despite official denials, there was growing concern within opposition circles in Israel that the two governments have indeed agreed on an intensification of military pressure on Syria in Lebanon, and apprehension that this could lead to a dangerous rise of the tensions in the region.

Mr Abba Eban, a former Labour party foreign minister, said there were increasing rumours of a secret alliance which had a warlike significance, and called for an urgent Knesset debate on the agreements reached with Washington.

Mr Dan Meridor, the cabinet secretary, insisted yesterday that there was no such secret agreement. Speaking after the weekly cabinet meeting, he also denied that yesterday's U.S. air strike against Syrian targets in Lebanon, and the previous day's Israeli air attack, had been co-ordinated.

However, he did admit that "the Israeli air force and the U.S. Navy talk to each other to make sure there are no mishaps." As Israel treats Lebanese air space as its own, it would indeed be unlikely that the U.S. planes would have made their raid without first informing Israel of the plan.

The facts that the Israeli air strike against Syrian-backed guerrillas and Druze came the day after Mr Shamir returned from Washington, and that the U.S. launched its first-ever air raid in Lebanon a day later, has inevitably fuelled speculation here.

Cairo says pact hinders peace

BY CHARLES RICHARDS IN CAIRO

THE EGYPTIAN president Hosni Mubarak has expressed grave misgivings about the strategic co-operation agreement recently signed between the U.S. and Israel.

It would, he said, be an obstacle to peace in the region and further anger Arab moderates.

Egyptian officials are dismayed that the U.S. should have come down so blatantly on the side of Israel thus upsetting the regional balance and preventing the U.S. from playing its supposed role as full partner in the peace process and "honest broker" between Israel and the Arab states.

They are especially horrified that the U.S. should be making such a gesture in an apparent attempt to counter what Washington perceives as excessive and increasing Soviet influence in Syria at a time when Israeli forces remain in Lebanon.

This apparent rewarding of Israel's presence in Lebanon will, they believe, further undermine U.S. credibility in the region, making it harder for Arab moderates like King Hussein of Jordan to convince radical critics of the benefit of peace negotiations on the basis of President Ronald Reagan's peace proposals.

The U.S.-Israeli accord was signed after President Mubarak, in his first meeting with President Reagan's new special Middle East envoy, Mr Donald Rumsfeld in Cairo last month, warned against the dangers of such a step.

Venezuela goes to the polls

NEARLY 7.8m Venezuelan voters went to the polls yesterday to choose a new president, Congress and state legislators for the next five years, **Kim Fuad reports from Caracas.**

No official returns were expected until late last night but opinion polls have given an edge to Sr Jaime Lusinchi of the social democrat Accion Democratica party over former President Rafael Caldera, of the Christian Democrat Copei party.

Ten other candidates, on the left and right of the main centrist candidates are expected to collect only around 20 per cent of ballots cast.

Labor setback in Australia

THE Australian Labor Party (ALP) suffered a humiliating defeat in Saturday's state election in the Northern Territory, which underscores the damage Labor has inflicted on itself with its partial ban on uranium mining, **Michael Thompson-Noel writes from Sydney.**

The poll saw a big swing to the ruling Country Liberal Party of Mr Paul Everingham, the territory's Chief Minister.

Taiwan landslide

TAIWAN'S ruling Nationalist Party scored a landslide victory over opposition and independent candidates during the supplementary legislative elections on Saturday, taking 62 of the 71 seats available, **Robert King writes from Taipei.**

Tribunal 'sanctions takeover of Rumasa'

BY DAVID WHITE IN MADRID

SPAIN'S Socialist Government has obtained a favourable verdict from the constitutional tribunal over the Rumasa affair by a neck-and-neck vote finally decided by the casting vote of the court's president, El Pais, the leading Spanish newspaper, reported yesterday.

The tribunal, whose decision on the case has been delayed for several weeks, voted on Thursday last week, but was not due to announce its verdict until later.

According to the newspaper, which quoted "absolutely reliable sources," the court's 12 members were equally divided about whether the Government's decree expropriating the Rumasa business group in February, was allowable under Spain's 1978 constitution.

Members of the right-wing Alianza Popular opposition lodged an appeal with the courts shortly after the decree, under which the Government seized all of Rumasa's holdings, including 18 banks and some 200 industrial companies. Two more banks and other companies were later established as having been acquired secretly by the group.

The opposition refrained however from referring to the tribunal a subsequent law passed by parliament in late June and confirming the expropriation measures.

In the interim, the public controversy over the takeover procedure has been mitigated by the disclosure of auditor's figures revealing the true financial state of the group, and by the progress of a court case against the former chairman, Sr Jose Maria Ruiz-Mateos, now in London.

The audit, commissioned by the Government and carried out by Arthur Andersen, showed Rumasa to have a negative net worth of Pta 257bn ($1.57bn).

Sr Ruiz-Mateos is charged with accounting fraud, and currency, tax and social security offences.

The newspaper says the court had found that the measure corresponded to the condition of "extraordinary and urgent need" laid down in the constitution and that it did not infringe the fundamental right to property. The six dissenting judges are due to publish their conclusions as an annex to the final vote.

If it is confirmed, the court's technical majority verdict will come as a considerable relief to the Gonzalez Government, which had put a good deal of its credibility at stake on the Rumasa takeover.

The Government has maintained that it needed to take drastic action in order to avoid a major financial crash which would have affected Spain's international credit rating. The authorities argue that they could not simply have intervened in the banking side of Rumasa because the banks were heavily exposed to companies within the group.

In an interview at the weekend, Sr Miguel Boyer, the Economy Minister, said the standard procedure for dealing with bank crises via the semi-state Deposit Guarantee Fund would have proved more costly.

Chaban-Delmas edges hat into ring

BY PAUL BETTS IN PARIS

M JACQUES Chaban-Delmas, the former French Prime Minister under President Georges Pompidou, has provided an intriguing new twist to the political scene in France.

By suggesting at the weekend that he would be willing to head a government if President François Mitterrand asked him to become Prime Minister, the 68-year-old mayor of Bordeaux made what was tantamount to a discreet political comeback on the national scene.

The comeback took the form of a long appearance on French television and an interview in the "Journal du Dimanche" in which the former Prime Minister and unsuccessful 1974 presidential candidate said "until he is dead, no politician is finished."

On the assumption that the Socialists lost their parliamentary majority in the 1986 French legislative elections and President Mitterrand called on him to form a government, M Chaban-Delmas said he would accept although his government would carry out policies different from those of President Mitterrand.

The idea of "cohabitation" (a Socialist President without a parliamentary majority calling on a member of the opposition to form a government) has been gaining ground in France following the decline in popularity of the left.

M Chaban-Delmas offers other political advantages to President Mitterrand. As an eventual "fourth man," he could further disrupt the competition for leadership in the opposition.

But as a Socialist senator remarked at the weekend, the eventual return of M Chaban-Delmas on the national scene hinged on the belief that the left would lose the 1986 elections; an assumption the left is clearly not prepared to make.

Indeed, despite the left's recent string of defeats at local polls, President Mitterrand's standing in public opinion polls has been rising again last week. This recovery appears to be largely due to his successful television appearance on foreign policy issues last month.

W. German output rise predicted

By James Buchan in Bonn

OUTPUT from West German manufacturing industry should rise by an inflation-adjusted 3 per cent next year after a rise of just under 1 per cent for this year, according to IFO, the Munich-based economic research institute.

The insitute's latest survey of business opinion, taken in October and published today, shows industrialists more optimistic about foreign demand in the coming months. IFO even notes a slight improvement in the troubled capital goods sector.

WORLD TRADE NEWS

U.S. cracks down on Third World steel imports

BY STEWART FLEMING IN WASHINGTON

WASHINGTON has once again become a hive of protectionist lobbying on behalf of the U.S. carbon steel industry. The lobbying this time is focused on steel imports from Third World countries and there ore fears that the carefully-crafted export licensing agreement reached last year with the European Community could be overturned in the struggle against these competing exporters.

The EEC licensing agreement, in the words of one Reagan Administration official has "worked beautifully" in the 12 months since it came into effect—U.S. steel imports from the Common Market are down over one third to just under 5m tons in the first eight months of the year. Imports from industrialised developing countries such as Brazil and Mexico are now the prime target.

Last month U.S. Steel, the country's largest prodocer, lodged actions alleging unfair trade practices against Mexico, Brazil and Argentina, and threatened to act against other countries. Over 20 complaints are pending, industry officials say.

The industry concern is based on the fact that whereas the EEC countries and Japan have brought their exports to the U.S. under control, the newly industrialised countries (NICs) have concluded no export restraint agreements ond represent potentially unfettered competition. This is also worrying for EEC exporters, who fear that they are destined to lose market share in the U.S. beyond the limits imposed by the last year's agreement.

U.S. officials cloim there is no evidence yet that Third World exporters are stealing customers from EEC suppliers, but recently there have been signs that the NIC have increased their exports to the U.S.

While monthly imports from such countries ran at under 400,000 tons throughout 1982 they have been around the 500,000 to 600,000 ton mark in the past few months, bitting 641,000 tons in October. There are fears that the annual level could jump to 6m tons this year from 4.6m in 1982.

The pressures the countries are under to earn foreign exchange to service their enormous debts has resulted in what officials in Washington describe as "aggressive pricing" policies, undercutting the profit margins of domestic firms.

U.S. Steel has alleged that dumping or subsidy margins by some of these countries bave reached levels of between 50 and 80 per cent on some products. One reason for the move to curb the imports is a desire to "nip them in the bud" before, as the U.S. industry sees it, even more damage is done.

Steel imports from newly industrialising countries are not the only threat to the export restraint arrangements between the U.S. and its western competitors.

Gilmore Steel, a small West Coast manufacturer, has directly challenged the EEC/U.S. agreement by filing dumping actions against some EEC products.

This action may not be successful bowever for the company ueeds the aupport of its peers to press its case and companies such as U.S. Steel and Armco have reportedly told the Commerce Department that they do not back the Gilmour case.

But the industry has not disguised its concern about U.S. Steel's proposal to import unfinished slabs from the British Steel Corporation—a move which officials in Washingtou warn could also force o breakdown in the EEC/U.S. licensing agreement.

Equally worrying are the hints from the giant Bethlehem Steel that it may file a complaint under the 1974 Trade Act aimed at securing quotas on all imports, which could provoke the EEC into abrogating its licensiog agreement. Bethlehem would have to demonstrate "serious injury" to the U.S. industry, a tougher test than the normal "material injury" to succeed and would need Administration support.

The President can take into account broad political and ecooomic considerations in deciding whether or not to take action to support the company and although at the moment he is thought unlikety to back the company, an election year may make a difference.

A clearer picture of the political mood could emerge during the progress of a Bill backed by the Congressional steel caucus. The Bill would put a 15 per cent quota on steel imports, which reflects the industry's concern that the share of imports in the U.S. market is rising ond could hit 20 per cent this year.

As one industry observer pointed out, potitics play a large part in the revival of protectionist sentiment. "Around February, a lot of those Congressmen will be going into the steel companies and asking for election campaign donations," he pointed out.

Among the forces pushing the industry to seek protection are its poor profitability and weak competitive condition which led to serious losses in 1982. Mr Peter Anker, an aoalyst with investment bankers First Boston, says that the industry has taken a "turn for the better" this year. Several companies have returned to the black and even U.S. Steel is projecting a profit on steel for 1984. But earnings seem likely to remain at "a low level" Mr Anker suggests.

Scepticism about whether protection will provide a solution to these problems remains however. Mr Charles Bradford, a steel industry analyst with Merrill Lynch commented recently: "Should the industry get real protection from imported ateel we believe that the move towards greater steelmaking efficiency would be slowed, if not balted. It might very well dry up (the companies') sources of capital due to fear about the competitiveness of the industry whenever protection should end."

U.S. STEEL IMPORTS

	Japan (m tons)	(% of share)	EEC		Other*		Total
1975	5.8	(48.6)	4.1	(34.3)	1.0	(8.7)	12.0
1976	7.98	(55.9)	3.2	(22.3)	1.8	(12.7)	14.3
1977	7.8	(40.5)	6.8	(35.4)	2.8	(14.3)	19.3
1978	6.5	(30.7)	7.5	(35.3)	4.8	(22.8)	21.1
1979	6.3	(36.2)	5.4	(30.9)	3.4	(19.5)	17.5
1980	6.0	(38.8)	3.9	(25.1)	2.1	(13.8)	15.5
1981	6.2	(31.3)	6.4	(32.6)	4.3	(21.6)	19.9
1982†	4.6	(32.0)	4.7	(32.8)	3.4	(23.7)	14.3
1983†	3.2	(23.7)	3.2	(23.7)	5.2	(38.5)	13.5

* Mainly newly industrialised countries, excluding Canada, which had an 11.1 per cent market share in 1982. † First 10 months.

Source: American Iron and Steel Institute

Queensland woos foreign carmakers

By Michael Thompson-Noel in Sydney

THE QUEENSLAND Government is hoping to entice a foreign carmaker tn take nver the Acacio Ridge plant in Brisbane, which General Motors-Holden (GMH) is due to close late next year with the loss of 880 jobs.

However, the move by Mr Job Bjelke-Petersen's state Government would depend on persuading Canberra to relax its complex quotas-and-tariffs regime, oimed at restricting imports to approxmatcty 20 per cent of Australian car sales.

Those approached by the Queensland Premicr include BMW, of Germany, which claims to have usurped Mercedes-Benz and Volvo as Australias leading prestige car importer.

GMH, the troubled Australian subsidiary of General Motors of the U.S., recently surrendered market leadership to Ford Australia, and in 1982 lost A$135m (£84m).

In Brisbane, a spokesman for the Premier said yesterday that Mr Bjelke-Petersen had approached car makers in Europe, Japan and South Korea, offering "all possible help" at Acacia Ridge.

"BMW expressed firm interest. However, there are inherent difficulties with the Canberra Government's car industry policy." There is also no love lost between the Hawke Labor Government in Canberra and Mr B. Jelke-Petersen's eccntric National Party regime in Brisbane.

If anything, Mr Hawke's Government is proving even more protectionist than its predecessor, Mr Malcolm Fraser's Liberal - National Party coalition.

Radial tyre plan for motorcycles

By John Griffiths

DUNLOP and rivals Pirelli are taking cautious steps to introduce radials to the 3.2m units a year European motor-cycle tyre market.

The advent of radial car tyres in the 1960s and 1970s replacing the traditional cross-ply and possessing much longer wear life, was the key factor leading to substantial tyre-making over-capacity from which the European industry is still trying to recover.

Yet both Dunlop and Pirelli are exhibiting radials at the current Milan Motorcycle Show. Both say that the application of such tyres on motorcycles should be limited, mainly to the very high performance motorcycle market where power outputs are such that a cross-ply tyre's life can be as short as 900-1,000 miles if a very powerful machine is ridden hard.

The incentive for both companies is promotional: the motorcycle market is mainly the province of enthusiasts, tending to be more sophisticated about product than the typical car buyer. In a highly competitive market, both Dunlop and Pirelli appear to believe that the image boost from high performance, but limited production, radiols is a worthwhile exercise.

Dunlop's belief that neither company is taking commercial risk—that is introductioo of radials on a large scale could lead to over-capacity in the motor cycle tyre sector as it has in cars—is based on the current structure of the motorcycle market.

According to Mr Alan Joseph, Dunlop's European product manager, motorcycle radials will cost twice as much as cross-plies to produce for a gain in tyre life of about 25 per cent, compared with up to 100 per cent for cars.

AGIP signs Chinese offshore oil search deal

BY ALAN FRIEDMAN IN ROME

AGIP, the oil company owned by Italy's ENI state holding gronp, has concluded a deal with the Chinese Government to explore for oil offshore in the South China Sea. The contract to search for oil in an area covering 3,180 sq km follows a visit to Peking by Professor Franco Reviglio, president of ENI, and Dr Bruno Cimino, President of AGIP.

The exploration contract marks the first time AGIP has received permission to explore offshore the Chinese coast. In all, some 10 blocks in the Pearl River mouth basin are involved. AGIP will be collaborating with the China National Offshore Oil Corporation and the Peking meetings concerned prospects for future agreements between the two countries.

AGIP's participation in the South China Sea project will be on a joint basis with Texaco and Chevron.

World Economic Indicators

UNEMPLOYMENT

		Nov. '83	Oct. '83	Sept. '83	Nov. '82
UK	000s	3,084.4	3,094.0	3,167.0	3,063.0
	%	12.9	13.0	13.3	12.8
		Oct. '83	Sept. '83	Aug. '83	Oct. '82
W. Germany	000s	2,147.7	2,134.1	2,196.2	1,920.0
	%	8.0	7.9	8.1	7.1
U.S.	000s	9,886.0	10,423.0	10,699.0	11,576.0
	%	8.8	9.3	9.5	10.5
France	000s	2,165.0	2,087.4	1,934.0	1,920.0
	%	9.5	9.1	8.5	9.5
Belgium	000s	625.7	631.4	627.8	571.7
	%	15.3	15.4	15.4	14.0
Netherlands	000s	824.6	827.3	827.5	709.6
	%	14.8	14.8	14.8	12.7
Italy	000s	2,743.6	2,689.7	2,604.5	2,499.8
	%	12.1	11.9	11.5	11.1
Japan	000s	1,532.8	1,650.6	1,638.6	1,390.0
	%	2.6	2.8	2.8	2.5

Source (except U.S., UK, Japan): Eurostat

SHIPPING REPORT

Listless week for tankers as Gulf war slows

TANKER markets had a rather listless week following the previous week's turbulence caused by the Iraq-Iran war. Cargo ships in the Gulf remained unscathed by further Iraqi-fired Exocet missiles.

There were no more fixtures reported for Saudi Arabia for VLCCs and ULCCs (very large and ultra large crude carriers) out of the Gulf. But nor did rates rise as a result of the removal, with the Saudi chartering the previous week of 12 such vessels for oil storage from the market.

Galbraith Wrightson said one 245,000-ton cargo was fixed to Japan from Kharg Island, the Iranian oil terminal, at Worldscale 35.5, and one of 230,000 dwt at Worldscale 36, around earlier levels.

For December, with more than 30 tankers of over 200,000 dwt becoming available in the region, "we feel that there will be little room for owners to create large rate gains," the company said.

According to E. A. Gibson, inquiries for large vessels from the Gulf to Japan dried up when the Japanese seamen's union announced its decision to resume calls ot Kharg. A week ago, Japanese owners had agreed with the union to suspend these again.

In the dry cargo market, Denholm Coates reported a rise in activity but no sign of any significant improvement in freight rate levels. The level for 50-60,000 ton grain cargoes from the U.S. Gulf to continental Europe was steady at $8.75 a ton.

But Indian activity was strong, especially in the grain trades, with the country's heaviest fixing of foreign flag tonnage for some years. Ships were chartered from tha U.S., Canada and South America, and substantial shipments are also expected from Australia.

UK exports to Saudi Arabia rise

BY FINNAN BARRE IN RIYADH

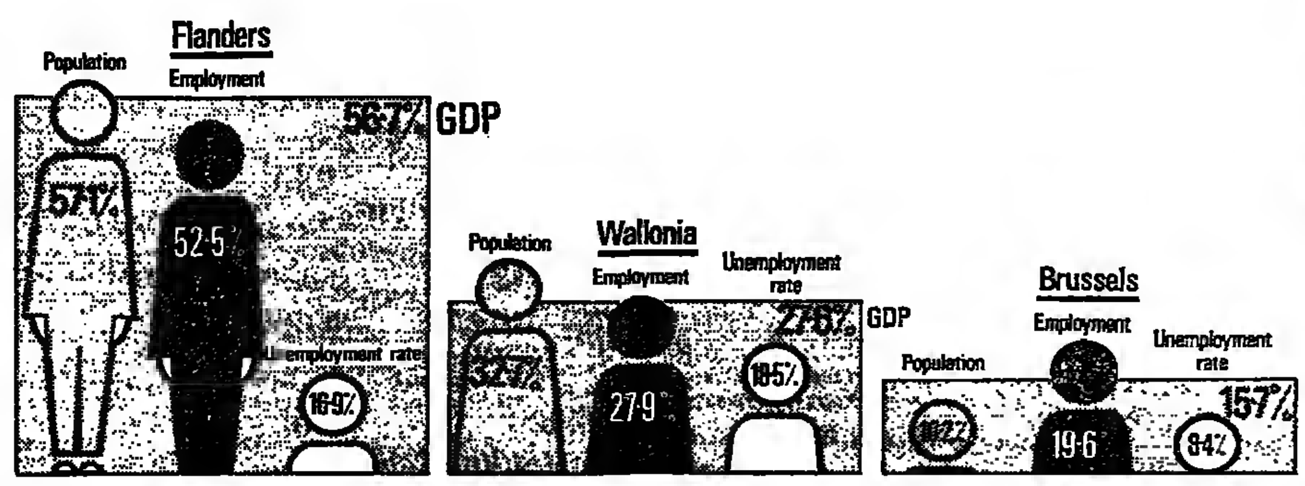
UK EXPORTS to Saudi Arabia have risen 13 per cent for the first three quarters of 1983, Mr Norman Tebbit, Secretary for Trade and Industry said yesterday during his visit to the Kingdom. The improved figures indicated that the slump in British exports to Saudi Arahia had ended, he said.

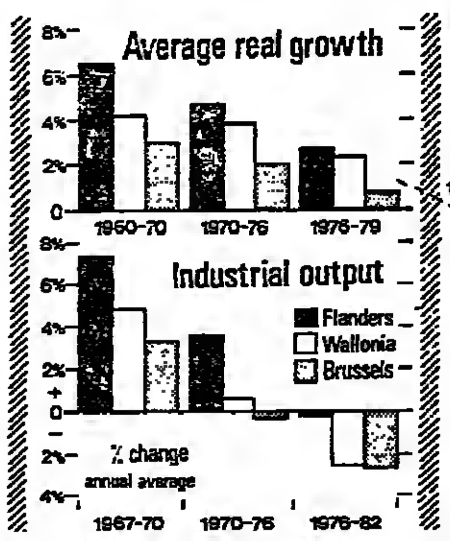
Saudi Arabia is the UK's principal Middle Eastern trading partner, and its fourth most important overall.

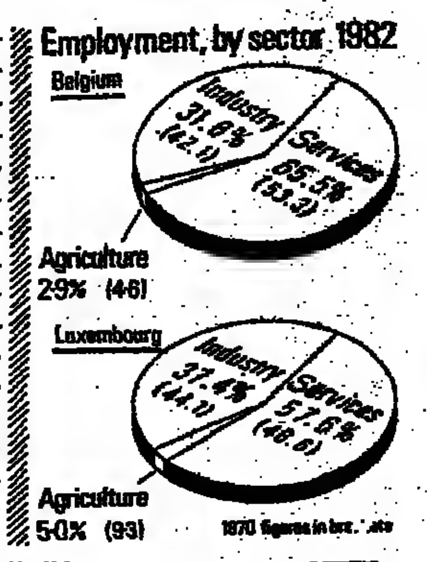
Improved British competitiveness and a shift in Saudi Arabia from beavy infrastructure projects will belp UK businessmen, Mr Tebbit said. The fourth economic development plan would require more service industries, an area in wbich Britain is particularly strong.

Mr Tebbit met the Saudi Ministers of Finance, Planniug, Industry and Electricity and Commerce over the weekend—and had an audience with King Fabd. He assured Saudi officials that Britain would not upset the oil pricing mechanism of the Organisation of Petroleum Exporting Countries (Opec).

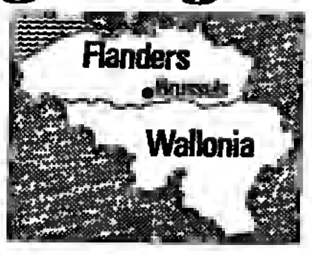
STATISTICAL TRENDS: BELGIUM







Economy begins to turn round



AFTER three years of contraction, the Belgian economy is forecast to grow slightly in 1984. Gross National Product (GNP) is estimated to have fallen by 0.7 per cent this year, and is expected to rise by 0.5 per cent next year.

The Government priority in its economic policy has been to try to shift resources into business, away from consumption and the public sector. Real wages and real personal consumption have been falling, as the Government has cut into wage indexation and taken powers to hold down wages until the end of next year. Inflation is down to around 7 per cent, and forecast to fall further to under 6 per cent, but the record on cutting public sector deficit has been poor: the target of reducing it to 7 per cent of GNP by 1985 has been abandoned.

The improvement in the external trade position of the country earlier this year boosted hopes of an export-led recovery, but recently the balance of payments has deteriorated, with capital outflows related to interest rate differentials. The discount rate was raised to 10 per cent in late November after eight months of steady falls in response to the outflows of capital and the weakening of the Belgian franc.

While the rise in the Belgian Stock Exchange index reveals some optimism in the markets, there are few signs of an industrial recovery. Industrial activity, housing starts and car registrations are stagnant or down on the previous year. Not surprisingly, retail sales volume has also been falling with the squeeze on personal consumption.

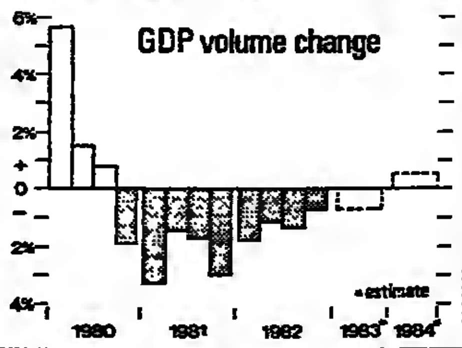
Unemployment is still showing no decline, though job vacancies are at a higher level than last year.

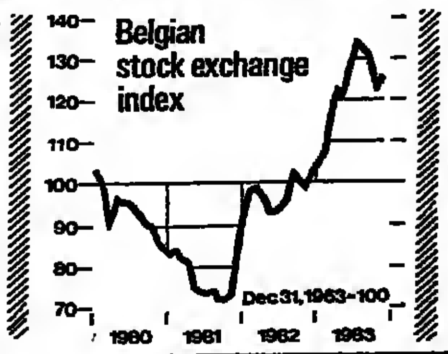
Company profitability, measured in net return on total assets shows a slight overall rise, but the rate of return in industry particularly remains very low.

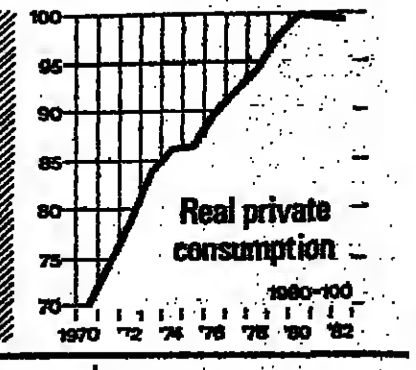
The high level of unemployment, together with falling real wages and the attempt to cut the public sector lay behind the major strikes which occurred in September.

The restructuring of industries, such as steel and coal, which have been hit particularly badly by the recession, has been complicated in Belgium by existing regional disparities.

The steel industry is concentrated in French-speaking Wallonia, along with other declining industries which once formed the industrial base of the country. Dutch-speaking Flanders has the majority of the population and the greater share of Gross Domestic Product (GDP). Government subsidies to loss-making industries in Wallonia have had to be balanced by public expenditure in Flanders. The Government has attempted to solve this problem by devolving more responsibility on to regional authorities, and recently by making restructuring of the Cockerill-Sambre a part of new financing arrangements under regional committees.







Economic Indicators

Monthly averages

	Dwellings started Units	Registered passenger cars Unit	Jobs vacant Units	New orders for metal products BFr. million
1979 i	4,000	29,300	5,800	56,080
ii	6,800	47,100	6,500	58,460
iii	6,300	30,800	6,600	46,380
iv	5,700	26,700	6,200	63,680
1980 i	5,200	44,000	6,400	63,000
ii	4,500	38,900	6,300	54,810
iii	3,300	28,800	5,400	42,020
iv	2,800	24,000	5,500	62,430
1981 i	2,600	34,100	5,200	53,940
ii	3,400	37,100	4,600	58,070
iii	2,400	27,800	4,300	50,780
iv	2,500	22,900	3,500	59,710
1982 i	2,100	36,700	3,300	63,010
ii	3,400	36,700	3,800	61,750
iii	2,500	29,400	4,400	52,820
iv	1,500	22,500	4,900	64,472
1983 i	2,000	35,100	5,100	68,230
ii	na	na	5,700	na

Source: OECD

Consumer Prices

% change

	1980	1981	1982	1983
Jan	6.0	7.0	8.3	8.4
Feb	6.5	7.0	7.6	8.7
March	6.5	7.6	7.1	6.6
April	6.5	7.4	8.4	7.8
May	6.4	7.1	9.5	7.5
June	6.2	7.4	9.8	7.3
July	6.5	7.9	8.9	7.5
Aug	6.2	9.1	9.0	7.9
Sept	6.6	8.4	8.4	7.3
Oct	7.0	7.7	8.8	
Nov	7.6	7.8	8.9	
Dec	7.5	8.1	8.1	

Source: IMF

Production: Industrial

% change

	1980	1981	1982	1982
Jan	12.5	−12.2	1.3	1.6
Feb	2.2	−9.9	−2.1	2.0
March	9.7	−5.1	−0.6	5.3
April	4.0	−4.6	1.8	−4.0
May	−7.1	−3.2	1.6	3.6
June	1.1	−4.1	3.0	5.5
July	−1.5	−4.2	−1.3	−3.7
Aug	−8.0	−0.3	1.3	
Sept	−1.6	1.9	0.4	
Oct	−3.9	−1.6	−2.0	
Nov	−11.5	6.6	−2.6	
Dec	−7.2	4.6	−1.2	

Source: IMF

Crude Steel Production

'000 metric tons, monthly averages

	Belgium	France	W. Germany	UK	U.S.	Japan
1970	1,051	1,981	3,763	2,319	9,942	7,777
1971	1,037	1,905	3,360	2,024	9,075	7,380
1972	1,211	2,005	3,642	2,119	10,062	8,075
1973	1,294	2,105	4,127	2,227	11,372	9,944
1974	1,352	2,252	4,436	1,867	10,999	9,761
1975	965	1,795	3,368	1,653	8,829	8,526
1976	1,012	1,939	3,534	1,888	9,694	8,948
1977	938	1,904	3,249	1,709	9,429	8,534
1978	1,060	1,904	3,437	1,689	10,312	8,508
1979	1,120	1,947	3,837	1,795	10,277	9,313
1980	1,027	1,930	3,653	945	8,397	9,283
1981	1,024	1,763	3,488	1,297	9,073	8,473
1982	824	1,535	2,990	1,148	5,533	8,296
1983†	868	1,476	3,016	1,286	6,077	7,789
% change						
83/70	−17.4	−25.5	−19.8	−44.5	−38.9	0.0
83/75	−10.3	−17.8	−10.5	−22.2	−31.2	−8.8

† First half.

Source: OECD

Hourly Wages: Industry

REAL TERMS 1975=100

1980 i	112.3	1982 i	116.4
ii	114.9	ii	116.1
iii	114.4	iii	114.7
iv	114.7	iv	112.9
1981 i	115.1	1983 i	113.0
ii	117.6	ii	114.0
iii	116.4	iii	112.4
iv	117.4		

Source: Eurostat

Discount Rate

% end period

1976	10.50	Mar	11.00
1980	12.0	June	9.00
1981	15.00	Sept	9.00
1982	11.50	Nov	10.00

PUBLIC SECTOR DEFICIT AS % GNP

1975	3.6	1975	8.2
1976	4.2	1980	8.8
1977	6.2	1981	13.4
1978	5.5	1982	15.7

Source IMF

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

Steel Employment: end year

End Year	Total	Manual workers	Salaried staff
1974	63,700	53,584	10,174
1975	59,300	49,376	9,972
1976	57,200	47,540	9,658
1977	49,752	40,672	8,936
1978	48,541	39,298	8,833
1979	48,685	39,681	8,521
1980	45,220	36,887	8,202
1981	44,106	35,856	8,022
1982	41,869	32,652	7,796
1983 (June)	40,451	32,736	7,828

Source: Eurostat

Company Profitability *

Net return

	on equity 1981	on equity 1982	on total assets 1981	on total assets 1982
Overall	−1.16	4.81	15.74	15.86
Financial	8.58	9.97	9.54	9.82
Utilities	12.63	13.43	7.83	7.85
All industry	−31.88	−12.89	−0.80	3.79
Industry†	−1.09	8.12	8.21	8.10
Tertiary	7.50	11.67	7.90	8.82

* Survey of 1,058 companies. † Excl. steel

Source: Kredietbank

Equipment Goods Exports

Volume growth %

	1964-73	1973-81	1973-76	1976-79	1979-81
Metal products	2.4	12.6	13.0	11.0	15.4
Agric. & ind. m/c	11.0	5.0	22.8	−2.8	4.2
Office machines	19.6	6.7	16.9	4.6	1.4
Electrical goods	5.8	9.7	13.6	6.0	14.1
Motor vehicles	25.6	−2.7	−6.4	−6.0	10.7
Other transport	−6.1	5.3	33.6	−18.2	31.1
Total	10.2	4.5	10.4	−0.8	9.8

Source: European Economy

Steel: Employment % change

	W. Germany	France	Belgium	Lux.	UK
1975	−4.0	−1.3	−8.1	−8.7	−9.4
1976	−1.8	−1.2	−3.8	−1.4	−1.5
1977	−4.4	−7.1	−13.0	−19.9	−1.9
1978	−3.2	−8.0	−2.4	−3.8	−6.6
1979	+0.9	−8.4	+0.3	−2.8	−8.3
1980	−3.6	−13.0	−7.1	−9.8	−28.4
1981	−5.4	−7.3	−2.5	−10.0	−21.3
1982	−5.8	−2.2	−6.5	−7.4	−15.8
1983*	−7.3	−4.5	−6.7	−12.6	−22.0
1983-1975 (%)	−24.7	−40.4	−31.8	−44.1	−62.4

* (June-June)

Source: Eurostat

Investors in Industry's arresting corporate image

An eyecatching answer to an identity crisis

BY CHRISTOPHER LORENZ

FOR THE last few weeks readers of this newspaper and other "quality" publications in Britain have been confronted repeatedly with a rather strange sight.

In expensive double-page advertisements and even (in the Economist) a full-colour, 20-page inset, an unfamiliar organisation called "Investors in Industry" has been trumpeting its wares. At the centre of each advertisement is the organisation's striking symbol: the characters "3i", painted in wavy-edged watercolours, with the dot over the "i" replaced with a drawing of an eye.

The 20-page inset, a virtual replica of the company's new brochure, includes seven wispy full-page drawings, illustrating such aphorisms as Voltaire's "Intelligence is quickness in seeing things as they are," and Keynes's "Ideas shape the course of history."

It all seems pretty fey and abstruse, especially when the penny drops and one realises that this "artiness" stems from what is actually one of the UK's largest, most solid and successful financial institutions. Owned by the pillars of the financial establishment, the Bank of England and the UK's massed clearing banks, it used to be known—to anyone who could understand the group's labyrinthine structure—as Finance for Industry.

FFI's main constituent parts carried four different sets of initials, with a whole host of derivatives. The basic four were: ICFC (small company finance), TDC (development capital for small technology-based firms), FFS (finance for shipping) and FCI (finance corporation for industry, lending to large companies). Hardly anyone, including many people inside the group, understood how the various companies related to each other and to FFI, or even that they were connected at all.

With another entity, "FFI UK Finance" employing the staff and holding almost all the assets, the confusion was complete. It would have represented a classic case for devising a new, consistent corporate identity, even if the group had not also wanted to reinforce the impact of a series of changes it was making in its corporate strategy and structure.

Why on earth choose something as extreme as the 3i symbol? Why not something with a harder edge to it, both literally and psychologically, that would be more reflective of the solidity of the banking world? In both the City of London and 3i's strong market constituencies "north of Watford" (Britain's industrial heartlands, that is), the "softness" of the new image has certainly provoked some half-suppressed guffaws since it was launched in July.

But Jon Foulds, the group's chief executive, retorts that mild irreverence is not necessarily "frivolous." He says he and his colleagues went for something "light" to reflect their view of 3i as a unique institution, combining financial innovation with an unusual ability to understand industry, and with exceptionally long-term relationships with its corporate clients.

During what proved a protracted period of visual education for many of the organisation's top staff, Foulds championed the search and only for "something that showed we could come up with original solutions to things," but also for an image which conveyed the group's reliance on human relationships. Hence the "softness" and humour introduced by 3i's design consultants, Wolff Olins, which accords well with the wave of jokey "post modernism" which is now sweeping the world of architecture and is just beginning to penetrate retail and product design.

"We wanted an image to contrast with all those double-headed eagles and intertwined letters," says Foulds, taking a gentle tilt at the world's financial institutions for the rather four-square and severely functional visual images with which they communicate to the outside world (see illustration). In an increasingly competitive marketplace, he wanted an image that would really stand out.

The 18-month process through which the ungainly FFI/ICFC/TDC/FFS/FCI was painstakingly transformed from ugly duckling into avant-garde swan reinforced the argument of Wally Olins, principal director of Wolff Olins, that "corporate identity is not just a tool of marketing." No identity can be effective, he argues, unless it reflects the reality of the organisation, and a cohesive internal view of its culture and strategy.

It was partly because of Olins' breadth of view, says Foulds, that the then FFI chose his firm to do the job.

An FFI insider, Foulds had been appointed chief executive in late 1977. Under his aegis new strategies began to emerge, notably TDC's shift away from a rather unsuccessful "hands-off" policy towards greater managerial involvement in the companies in which it invests. FCI was also upgraded from its original role as just a "lender of last resort," while ICFC began to raise its "risk ceiling," partly in response to an intensification of competition from the host of new entrants in the markets for venture and development capital.

With these changes well under way towards the end of 1981, Foulds "pulled together a number of thoughts that had been going through my mind." In particular he drew the attention of his close colleagues and his chairman, Lord Caldecote, to the confusion, or downright negative impact, that was being created both internally and externally by the group's fragmentation.

Internally, past divisionalisation had left it as essentially a series of largely disparate activities. This separateness, says Foulds, discouraged the units "in an intangible way, from combining their skills to exploit new opportunities." Externally, the organisation was presenting a confused message to many outside constituencies, not only about what it could offer to its various marketplaces, but also to Westminster and Whitehall.

Foulds' policy review led to a decision to tighten up the group's structure in several ways. "To show the feudal barons that they were all working together," as he puts it, "we redefined the role of all the management committees in the place." A series of what he calls "information-passing committees" were upgraded to executive status, and a central executive committee was created to formalise the co-ordination process. As the final element in the package, Wolff Olins was appointed in April 1982 to create a new corporate identity.

By September when the consultancy presented the results of its fact-finding research into the attitudes towards the group of 80 insiders and outsiders, the organisational changes had been made, rendering far more effective the process of internal communication and debate which then had to follow.

The consultancy had concluded that, despite the disparity of the group's constituent parts, they shared a surprisingly common set of attitudes about the group's characteristics.

The most significant conclusion of the research was that, with this combination, the group really was unique."

The discovery that one's client really does have something different, and is not just another of those run-of-the-mill organisations, is naturally music to the ears of an adventurous designer. As Olins says, it was obvious from then on that the group should choose an identity which projected this feeling of "uniqueness."

Over the next few months, Wolff Olins and its client battled through a range of possible names and visual styles, finally getting board approval in the spring for "Investors in Industry," the abbreviation "3i", and the controversial visual symbol. The detailed process is described in the (inset).

In response to criticism of the symbol 3i emphasises that it is not relying for external impact wholly on its new "soft" image. In conjunction with Wolff Olins and its own public relations and advertising consultants, it has put together a co-ordinated programme of communications geared at carefully targeted markets: its ICFC material, for example, is still quite hard-nosed, though humour now permeates its illustrations. This sense of style is likely to creep into various of its other promotional activities.

Inside the organisation the "3i" symbol is now universally used in connection with its various entities, all of which (except ICFC) now also use "3i" or "Investors in Industry" as a prefix in front of their names: TDC, for example, is now known as the "Ventures Division," or familiarly as "3i Ventures."

Foulds says this harmonisation has had a perceptible unifying impact on staff: "It's given the organisation a new sense of impetus; everyone is recognising that they're contributing to the same effort, rather than looking rather nervously at what the others are doing."

All the same, it is not just the outside world which is feeling ever so slightly amazed at the adventurousness of it all.

This is the concluding article in a series on corporate identity. Previous articles appeared on October 31 (SAS) and November 2 (PA). A "Guide to Corporate Identity" has just been published by Wolff Olins, 22 Dukes Road, London WC1H 9AB. Price £2.95.

Juggling with variations of the word 'Invest'

FROM THE appointment of Wolff Olins as design consultants in April 1982, it took a year for the unwieldly FFI/ICFC/TDC/FFS group to find and agree a clear, new corporate identity.

ICFC and FFI, the two most obvious names, were considered at length but eventually dropped. The former, says group chief executive, Jon Foulds, was "cumbersome," and was not well-known to industry as a whole. So it was best left identified only with the group's strong small company business (this is how it still remains, largely distinct from the group' new name, "3i").

FFI had been a successful label for raising funds in the money markets, and "was a good enough name," says Foulds. But "apart from some mildly Rabelaisian associations for ex-servicemen" (it used to denote "Free from Infection"). "it doesn't stand out. It isn't unique."

It was when Foulds and Wally Olins, head of Wolff Olins, began to juggle with variations of the word "Invest" that Foulds also began to feel that it would be as well to distance the group from the word "Finance," which in expert circles has developed a shorter-term connotation.

Foulds really saw the attractions of "Investors in Industry" when Olins pointed out the possibilities of its more informal derivative, "3i." Not only is 3M one of only a very few companies which use numbers in their names, but the letter "i" could be used in all sorts of supporting ways to reflect the organisation's attributes or aspirations ("intelligence," "initiative," "ideas," "innovation" and "insight," just to cite the few used in 3i's new corporate brochure).

Though Foulds was excited about the proposed name—"it has a kind of speed about it"—he admits that it originally met with blank stares from many people within the group. "A complex political process" had to be gone through from then on in order to develop widespread support for it. "Some people didn't like it for the very reason we did—it's different!" he laughs.

Jon Foulds

With Oliuns' colleague Michael Wolff now taking a leading role, the consultancy proceeded to explore various possible visual styles for 3i. Moving away from the willowy Japanese-style calligraphy with which they had suggested writing "FFI," it first came up with some highly decorated lettering, including squirrels, nuts, golden eggs and all sorts of other things entwined around the "3i." A conventional form of illustrator's work, reminiscent, among others, of the best-selling visual mystery, "Masquerade," it nevertheless proved too strong for the group's board.

With Foulds' agreement Wolff then gave the job to a watercolour artist, Philip Sutton, with whom he had worked on a previous corporate identity project. Sutton went on to create the symbol which the board eventually approved, despite the doubts of some of its members and the fact that some of 3i's clearing bank shareholders "thought it was pretty eccentric," as Foulds put it.

Firmly rejecting complaints that the "eye" has nasty 1984-ish overtones, Foulds admits that "a lot of people still don't like it." But he approves of the way that "you don't have to look at the thing—it looks at you." At some stage in the future 3i may even agree with Wolff Olins that the slight ponderousness of the verbal-visual pun should be removed by dropping the stalk of the "i" completely.

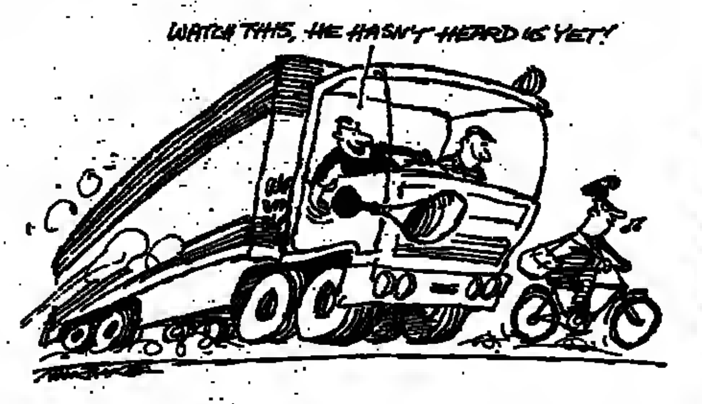
TECHNOLOGY

EDITED BY ALAN CANE

DEVELOPMENT OF THE HUSH-HUSH HEAVY VEHICLE

Roll on, the quiet lorry

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT



GOODS VEHICLES have few friends among the general public, as politicians know only too well. They are, however, the mainstay of the country's distribution system. The Government has decided, therefore, that the best it can do is to take lorries away from residential areas wherever possible, and to "civilise" the lorry by making it quieter and cleaner.

Quieter goods vehicles are already on Britain's roads in compliance with an EEC regulation formulated about six years ago, and applied to new vehicles registered since October 1983. Today, however, the industry is concerned with much more stringent regulations drawn up by the European Commission which have led to the setting up of a programme known in Government and industry circles as QHV (Quiet Heavy Vehicle) 90.

The programme, costed at about £10m to be shared equally between government and manufacturers of vehicles, engines, and components, is being co-ordinated by government with the aim of getting a vehicle that can go into production by the early 1990s.

The key points of the programme will be to achieve technical solutions which will not add significantly to the cost and weight of the vehicle. In the late 1970s, the Transport and Road Research Laboratory produced a QHV in co-operation with Fodens and Rolls-Royce to demonstrate that it was feasible. But the resultant vehicle was not one that any of the manufacturers could dream of putting on the road commercially.

Noise emanates from a number of sources within a vehicle. Engine noise, however, is the most significant source which will have to be restrained under the regulations sought by the EEC.

Mr Peter Flinn, chief engineer of advanced technology at Leyland Vehicles, explains: "The technology required for the current legislation is fairly modest. But once you drop below 85 dB(A), a steep change is required. It ceases to be a question of playing around with exhaust systems. It is the engine noise which has to be tackled."

> *The key points of the programme will be to achieve technical solutions which will not add significantly to the cost of and weight of the vehicle.*

The most demanding of the EEC requirements—which have yet to be confirmed as a directive—would reduce the noise level of vehicles currently registering 86 dB(A) to the following: engine power up to 75KW to register 80 (about the noise level of most passenger cars today); 75KW to 149KW to register 82; and 150KW and over to register 84.

Reduction in noise as registered by the decibel scale is not as straightforward as it might appear. A 6 db(A) reduction, for instance, means that the sound pressure levels are being halved. It can be seen, therefore, that the noise levels which are being drawn up represent a substantial technical step.

Before these measures gain common support throughout the EEC, the manufacturers are being required to adopt a change in the test procedures of the current reduced values within the next few years, which will have the effect of lowering them by another 3 db(A).

The industry, through their EEC representative body, have said that they will not be able to comply within the required time scale (October 1985 for new goods vehicle registrations in the UK).

The governments of the "silent countries," as they are dubbed by the industry—Denmark, the Netherlands, and West Germany—may well push for the regulations to be implemented within the time scale. The Netherlands already encourages investment in quiet vehicles by offering a tax rebate of between 3 and 7 per cent on the purchase price of the vehicle, depending on the amount by which the noise level falls below the legal maximum.

Pressure for quieter vehicles comes in other forms as well. West Germany, for instance, which now acts as the driving force in "civilising" the lorry where in the early 1970s it was the UK, has set up "quiet zones" in certain city centres. British manufacturers point out drily that the West German Government is considerably more generous in supporting the manufacturing industry to meet these pressures, handing out sums to individual companies to produce a QHV.

The British QHV 90 programme, however, is designed to lead to a sharing of development techniques, each manufacturer putting up its own proposals as to how it wants to run its project.

Participants include Ford, Bedford, Perkins, Gardner, and major component suppliers, with the co-operation of Southampton University's Institute of Sound and Vibration Research, and the TRRL. The bulk of the £10m funding—which has been approved by the Treasury although still awaiting official confirmation from the ministers of the two government departments concerned (Trade and Industry, and Transport)—will be for the production of prototype vehicles and testing.

The manufacturers agree that the existence of the programme—although already two years overdue—has spurred them into spending more on noise research than they would have done otherwise.

Flinn, at Leyland, describes QHV 90 as "an excellent mechanism for ensuring that UK vehicle/component manufacturers have well developed noise technology." Leyland, with a particularly well equipped test centre, aims to move more of its noise testing into the specially equipped chamber inside—apparently the Lancashire weather plays havoc with setting up acceptable outdoor test conditions.

A major part of the programme, however, must take place within clear cost objectives. The current noise requirements on goods vehicles, implemented this autumn, have put about 2 per cent on to the cost of a vehicle. It is a sum which cannot be recovered in the price to the customer in the currently very depressed vehicles market.

LILLY BACKS NOVEL TECHNIQUES

Drugs delivered by magnet

BY DAVID FISHLOCK, SCIENCE EDITOR

TWO AMERICAN medical students got a bright idea for delivering dangerous drugs to a patient. They broke off from their studies for 18 months in the mid-1970s, and laid the foundation for Molecular Biosystems.

Molecular Biosystems, of San Diego, California, is a new biotechnology venture specialising in pharmaceutical products. Its roots, however, lie in a magnetic drug delivery system the two researchers persuaded Eli Lilly to back.

The basic idea is quite simple: to encapsulate the drug in packages small enough to move freely through capillaries, magnetise these packages, then steer them where they are most needed with the help of a strong magnet.

The packages are microspheres of protein only about 1 micrometer in diameter (compared with about 7 micrometres for a red blood cell). According to Dr Kenneth Widder, one of the inventors, they consist of a mesh of cross-linked fibres of human serum albumin. This mesh can entrain both the drug to be delivered and fine particles of iron oxide, which magnetise them. The micro-spheres are made by a method he has patented, which forms them as a suspension in oil, by ultrasonic agitation, then "sets" them either by heat or chemical reaction, cross-linking the protein.

Such microspheres are highly mobile, Dr Widder says. A strong magnet placed near a kidney, for example, is enough to ensure they home on to that organ. Dr Widder and his partner, Dr Andrew Senyei, demonstrated this mobility by following the progress of fluorescent microspheres through the circulatory systems of small animals with a microscope.

The two medical students returned to their studies and duly became doctors. Dr Widder never practised his calling of pathology, but instead formed a company which became the precursor to Molecular Biosystems. It was assigned the three patents for microspheres taken out to Northwestern University, where their research had been done.

Eli Lilly supported the biotechnology venture because of its interest in finding new ways of delivering toxic drugs, particularly for treating cancers. Altogether, the drug company has put in more than £200,000 in research contracts, Dr Widder says.

The research has demonstrated that the drug can be targeted very precisely, and retained in an organ for a significant time—as long as 30 minutes—by the magnet. The microspheres apparently cause no foreign-body reaction and are eventually biodegradable, but not too quickly—"we've seen them around for up to 21 days."

The research effort has been transferred to Lilly's own laboratories, and a magnet specifically for use with patients is being designed at the National Magnet Laboratory in Cambridge, Mass. Dr Widder expects Lilly to reach clinical trials "in the next year or two" for cancer patients. "We know they're excited about it," he says of the drug firm. Molecular Biosystems will get a royalty of 3 per cent on net sales.

But Dr Widder is already pursuing another application of his microspheres of protein, to separate a specific type of cell from a cocktail of cells. It uses a microsphere of albumin containing a substance called "protein A", a protein isolated from the surface of the bacterium *Staphylococcus aureus*. Protein A has the unique property of binding antibodies to the microsphere.

Computing

IBM PC accesses videotex

THE IBM Personal Computer can now access most of the European videotex systems, including Prestel in Britain.

Videotex can also be used to link the IBM PC to a larger, corporate mainframe and exchange information.

Working with national information systems such as Prestel, Teletel (in France), Videotel (in Italy) or Datavision (in Sweden) the videotex terminal support facility can take information off, or put information onto ready-prepared screen pages.

A videotex communications adapter and connecting cable are the hardware needed, costing £281, together with the vts software for £23. More from IBM on 0705-694941.

CONVERGENT TECHNOLOGIES INTRODUCES NEW TERMINAL

How to cluster in the office

A NEW desktop workstation from the U.S. manufacturer Convergent Technologies, can take all the most advanced personal computer software and share it around its own tightly knit office network.

The NGEN (a pun, standing for New Generation) follows in the footsteps of the Californian company's first workstation, which is being sold by computer suppliers Burroughs, Prime, and CTL. GEC Information Systems also has an option on the NGEN or any subsequent workstations.

Convergent's latest 16-bit machine introduces some design improvements over the first, of which "clustering" is the most interesting to those involved in office automation. It is also one of the first workstations designed to run both MS-DOS and CP/M-86 based software at the same time, *removing a common* barrier in the choice of computer hardware which often has to be "either/or."

The first NGEN's were shown in Europe by distributor Zygal at the industry's main exhibition, Compec. Mr John McLean, Zygal's managing director said "once again Convergent has proved that they are unbeatable on design."

He said that NGEN is a "true 16-bit" microcomputer—one of the first and the fastest of its kind thanks to an Intel iAPX chip which it employs—which takes advantage of components only now becoming available. He said that this means that a cluster of them can provide an office system where each workstation seems to work as part of a larger, co-operating whole.

"A workstation like the NGEN lives best in clusters, in an office automation system for instance, as people in the same room or in the same part of a building are the ones who are most likely to need to share information, or share the same programs," added Mr McLean.

Convergent's own unique operating system, or CTOS, is claimed to be a "distributed intelligence architecture" which does more than just run particular programs. It can switch operating systems in mid-flight, and comes pre-packaged with integrated applications of its own.

CTOS can allow a naive user to switch between different MS-DOS and CP/M-86 programs at the press of a button, and store information from both on the same system. It comes complete with powerful data management tools as well as applications such as word processing, business planning spreadsheets and graphics and electronic mail.

The NGEN comes with a unique "power brick" or separate transformer which sits on the ground and ensures that there is the minimum of electrical power necessary reaching the separate processor or the workstation on the desk.

"U.S. experts are now saying that though it will soon have to be put into defining laws which prevent all this electrical equipment from sitting on the desk, where it can be extremely hazardous," added Mr McLean. *The NGEN is available from* Zygal on 0869-25 3361.

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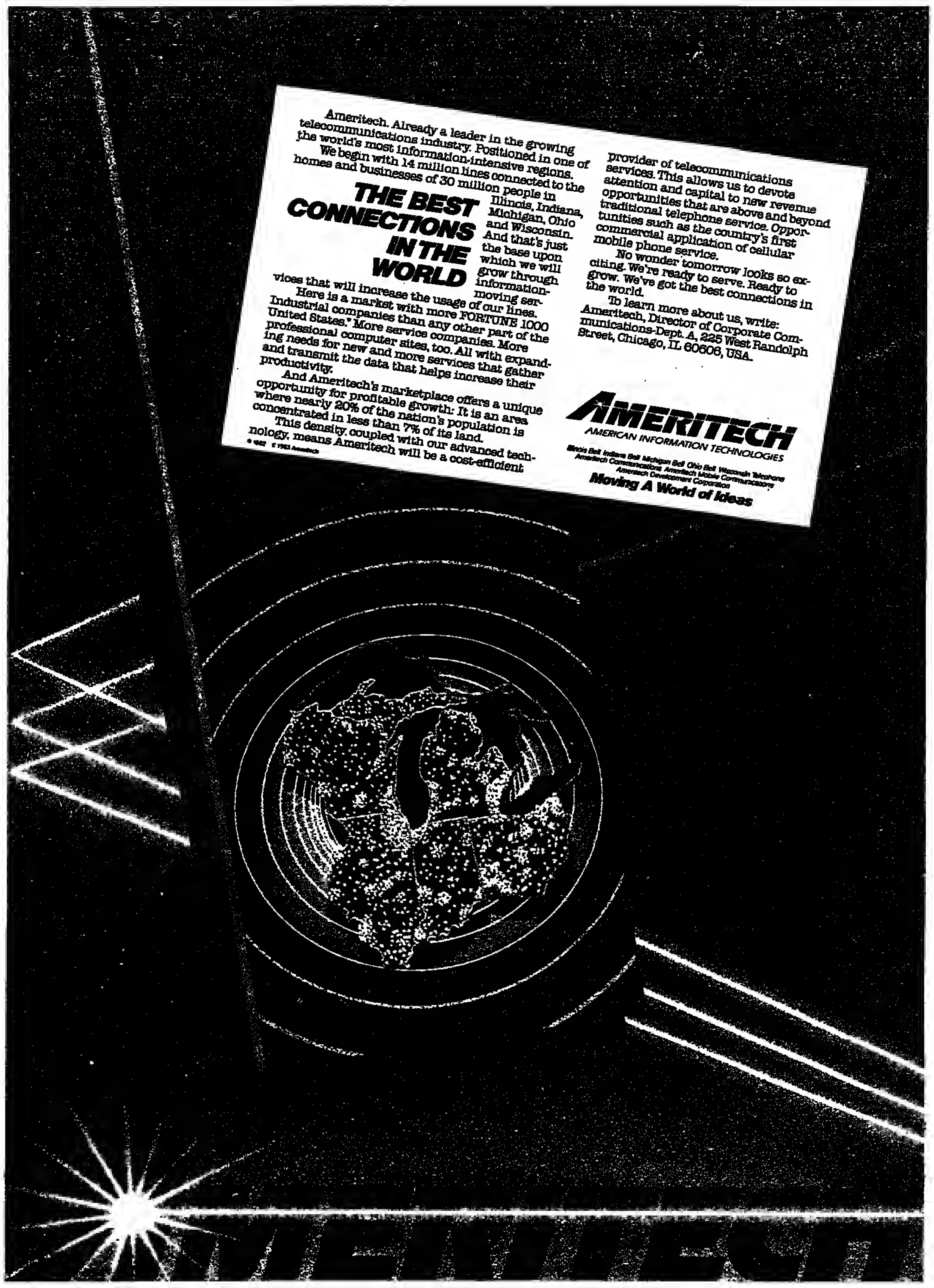


UK NEWS

GEC's 'marriage' with Hitachi heads for split

Welsh Correspondent ROBIN REEVES reports on the problems which have beset the five-year Anglo-Japanese venture to produce colour televisions in South Wales.

THE FIVE-year-old marriage between GEC, one of Britain's largest companies, and Hitachi to modernise and expand colour television production at Hirwaun, South Wales, is on the rocks.

Talks were held last week between the Anglo-Japanese company's management and national trade union officials to try to end a stoppage by the 1,050 production workers at the Welsh plant. The week-long stoppage is the second this year.

But a peace formula worked out by the management and union officials became the subject of a major row at the weekend. Although workers plan to return to the factory today, there is to be a special ballot before the formula is finally accepted.

This is because of allegations that a mass meeting vote by the workforce on Saturday was rigged in favour of a return to work.

The indications are that, even if the immediate problem is resolved, the factory's long-term future will be decided by the terms of a divorce between GEC and Hitachi.

According to well-informed sources, the business – with assets worth some £5m-6m and the capacity to produce at least 260,000 television sets a year – has been the subject of bids and counter-bids between the two companies for much of this year.

In February, Hitachi made an offer which was rejected by GEC. In June, Hitachi executives flew to London from Japan to negotiate the sale of the business to the British group. But negotiations ended inconclusively after only an hour.

A subsequent counter-offer from Hitachi looked like succeeding but was again rejected by GEC.

GEC-Hitachi is now the only Anglo-Japanese joint venture in televisioo manufacture. A similar tie-up betweeo Rank and Toshiba ended in failure in 1981. Toshiba later restarted manufacture oo its own account.

A director of the GEC-Hitachi board said last week that the joint company had every intention of continuing at Hirwaun. But Hitachi is known to be acutely embarrassed by the succession of difficulties at the plant and the potential impact this will have on its prestige in the Japanese-dominated world of television and consumer electronics manufacture.

On paper, Hitachi is the largest Japanese producer of televisions in the UK. But while production at Hirwaun last week was at a stand-still, down the road at Matsushita Electric's National Panasonic factory in Cardiff, plans were being publicised for a further investment of £1m. This would nearly double colour television output there to 1,000 sets a day to meet the buoyant market.

Labour problems at the Cardiff plant, which opened in 1976 and employs over 500, have been virtually non-existent. The same is true of the two other Japanese consumer electronics companies with plants in Wales, Sony and Aiwa.

Part of the problem at GEC-Hitachi seems to arise from the terms of the marriage. When first established in early 1979, the two partners agreed to invest £2.75m to modernise what had been GEC's Hirwaun factory, with the aim of stepping up colour television production from 150,000 to 300,000 units a year.

But both companies maintained separate sales organisations and marketing strategies. GEC essentially kept responsibility for the management of the factory while Hitachi provided the new technology and design. The number of permanent Japanese executives has been less than a dozen throughout, though there have been visiting technical teams from time to time.

As a result, Hitachi's initial aim of establishing management reforms commoo to other Japanese-owned plants in the UK, such as a single canteen for all employees, never got off the ground.

Arguably, investment policy bas also suffered. In 1981, Hitachi proposed diversifying into video cassette recorder (VCR) manufacture at the Hirwaun site and the Welsh Development Agency was approached with a view to carrying out a £2m improvement of the factory premises. But GEC reportedly decided against contributing to the venture and the plan fell through. Subsequently, Hitachi has opened a VCR production unit in West Germany.

According to union sources, both partners have tended to use the joint company as a risk vehicle, to the detriment of its balance sheet. For example, Hirwaun pays the same price for Hitachi components from Japan as any outside purchaser. The trade unions argue that the operation is, in effect, the victim of transfer pricing.

Within months of abandoning the idea of VCR production, the Hirwaun plant was forced to introduce short-time working. In mid-1982, some 800 redundancies were announced – 400 on the shop floor and the rest among staff – as part of a retrenchment programme aimed to reduce production costs by 25 per cent.

In March this year, Mr Graham Williams, the latest in a series of managing directors to run the joint company, arrived to impose a firm style of management. Faced with a £5.5m loss (including redundancy costs) in April, he imposed a freeze in basic pay for a third year running, plus cuts in bonus payments. This was accompanied by a warning that unless the workforce accepted the freeze, the joint venture would close.

This warning, combined with a boous "subsidy" to cushion the pay cut and the promise of a fresh look at pay in September, brought a quick end to a stoppage by the production workers.

By September, the workforce was feeling the full impact of the reduced bonuses. Dissatisfaction was fuelled by a rejection of any further increase in basic pay and a shortfall of components, which led to 120 temporary staff being laid off and output of teletext models being suspended.

Matters came to a head in October when the bonus payments – which union officials insisted were being calculated incorrectly – began falling sharply, although the number of televisions being produced rose. The upshot was an overtime ban.

Its deterioratioo into a complete stoppage was triggered when the management proposed an eotirely new percentage bonus system. Mr Williams warned that "dramatic increases to productivity" were required from all staff to restore the plant to profitability.

The offer was rejected by shop-floor unioo officials. It was then withdrawn by management and the workforce was warned that unless they worked normally they would not be paid. The result is what the workers claim to be a lock-out.

UK accused over abortive oil contract

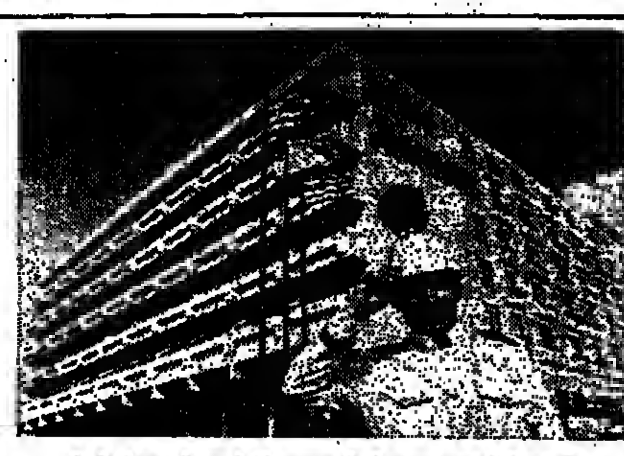
By Maurice Samuelson

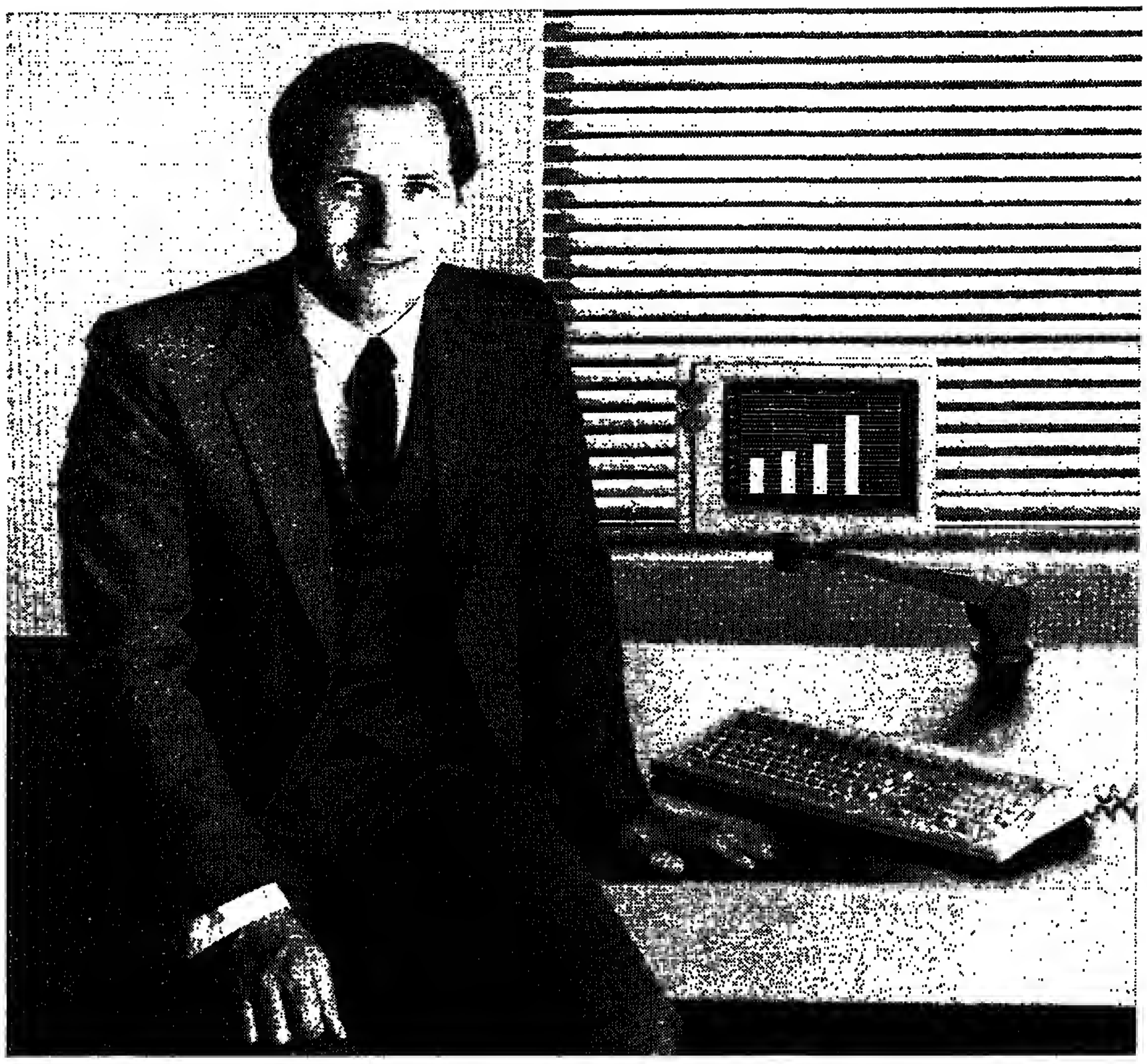
AN ABORTIVE $200m cootract for 13 shipments of British oil for Israel has come to light as a result of a court case in which the British Governmeot is accused of breaching EEC legislatioo by banning oil deliveries to Israel.

The case is to be referred to the European Court of Justice in Luxembourg after a ruling in the English High Court by Mr Justice Bingham, author of the 1978 report on the "busting" of the British Government's oil sanctions against Rhodesia (oow Zimbabwe).

The alleged offence in the present case would be precisely the opposite of that in the Rhodesian affair – refusing to sell oil rather than selling it illegally.

The European judges will be asked to decide whether a 1979 British Government policy on oil supplies, which effectively excludes Israel, cootravenes the free trade agreement concluded between Israel and the EEC four years earlier.





"You had to queue for weeks just for the opportunity to spend five minutes with it.

It was kept in a back room or maybe the basement.

It was protected from pollution by an anti-dust carpet and elaborate air conditioning.

You needed a Ph.D. in computer science just to switch it on.

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Growth rate of 2% forecast for next year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MOST economic forecasters are more pessimistic about the prospects for next year than the Treasury, according to a special FT survey of recent projections.

The average or "consensus' forecast from 16 organisations surveyed, including the Treasury, suggests a growth rate of about 2½ per cent next year, with the annual inflation rate at about 5¾ per cent by this time next year.

The Treasury, by contrast, is predicting growth of 3 per cent with inflation down to 4½ per cent in a year's time.

Only one of the 15 independent forecasters is more optimistic than the Treasury about inflation and only two think growth could be higher than 3 per cent.

The annual growth rates for next year range from 1 per cent to nearly 5 per cent. The highest inflation forecast is for an annual rate of 7½ per cent and the lowest a little over 2 per cent.

The independent forecasters tend to be *more optimistic than the Treasury* about the trend of public borrowing next year, and the consensus of their projections suggests there might be room for modest tax cuts, if the Government wanted to keep borrowing to £8bn.

However, this consensus is strongly influenced by the extremely low borrowing requirements expected by the City University and the Liverpool groups which put more faith than the others in the power of market forces. Both, in consequence, expect accelerating growth.

Almost all the forecasters foresee a recovery in exports as the world economy picks up next year, although the Confederation of British Industry is notably less optimistic about the extent of an export recovery than most.

There is also general agreement that imports will continue to increase, though at perhaps a slightly slower rate this year. Every *forecaster expects some slowing* down in the consumer boom next year. The consensus is that consumer spending will rise at only about half this year's rate.

Little change in unemployment is expected from the present figure of 3m, with the number of forecasters predicting a *slight rise* balanced by the number expecting a fall.

The FT average should be taken only a broad guide to the consensus since not all the forecasts are strictly comparable in their assumptions or the variables forecast.

FT CONSENSUS OF FORECASTS

	1983	1984
Gross domestic product	2.7	2.4
Consumer spending	3.4	1.5
Exports	1.6	3.8
Imports	4.7	4.1
Inflation (fourth quarter retail prices)	5.2	5.7
Unemployment (adults million fourth quarter)	3.0	3.0
Current balance of payments £bn	0.9	0.6
Public sector borrowing requirement £bn	9.2	7.6

Percentage rise year on year unless otherwise stated.

Nuclear fuel price increases proposed

By David Fishlock, Science Editor

SUBSTANTIAL price increases for the reprocessing of spent nuclear fuel have been proposed by British Nuclear Fuels (BNFL) to *its customers for the £1.2bn reprocessing plant it plans to build* at its Sellafield factory in Cumbria.

At present prices, the company has orders in hand for spent fuel reprocessing worth about £2bn, most of which is expected to be *earned by its new thermal oxide* reprocessing plant (Thorp).

It has been talking to customers about a price increase of 30 per cent or more for this part of the business. In effect, BNFL's customers – in Britain, Western Europe and Japan – are also its partners in the Thorp project.

Construction of Thorp, BNFL's largest single investment project, is expected to start year, with the plant coming onstream in 1990.

Fuel from its customers is already arriving at Sellafield for storage under water until Thorp *is in operation.* Reprocessing of spent fuel is the main activity of the Sellafield factory.

FOUR-YEAR FINANCIAL REGIME AGREED

New deal for British Gas

BY IAN HARGREAVES

BRITISH GAS has won its case for a four-year regime of financial targets, but will have to cut its costs by *12 per cent between 1983 and 1987* under the terms of an agreement with the Government.

Terms of the deal are expected to be made official shortly, in time for British Gas to announce a 4 per cent increase in gas prices from January 1. The price increase will *not* apply to most of the *gas* supplied under special contract to large industrial customers.

The corporation also appears to have reached an understanding with the Government that there should be no change in the gas levy – a tax introduced in 1981 to cream *off excess profits made* by British Gas in a period of sharp price increases.

Sir Denis Rooke, the British Gas chairman, said he was unwilling to comment on any agreement until *he had received official notification* from the Department of Energy, but there is no disguising the fact that the agreement represents a considerable victory for him.

It means that British Gas now has a fairly secure financial framework, subject only the annual un*certainty of its external financing* limit, which was set at a negative figure of £100m in the Chancellor's autumn financial statement.

British Gas, much to Sir Denis's irritation, has been without a financial target since April.

The new targets of 4% return on average *net assets* will be backdated to April *and* will expire in April, 1987.

British Gas should have no trouble meeting this target, having registered an average 4.2 per cent re*turn for the three years 1980-1983.* That was in excess of the then target of 3.5 per cent.

With average net assets of around £12bn, the target calls for current cost profit to average about £480m a year. Last year, the corporation made £663m.

Gas levy payments are expected to remain at about last year's level of £470m in real terms. Taxation may fall slightly as the corporations' capital investment increases this year to £900m, compared with £800m last year.

The most demanding aspect of the *target is* the call for a further sharp reduction in unit net trading costs per therm of gas sold.

Print union moderates stance

BY DAVID BRINDLE

LEADERS of the general print union, Sogat '82, are expected *to* withdraw an instruction to members stopping production of the UK's largest circulation magazine, the Radio Times, and of the Listener, both published by the BBC, and printed by British Printing and Communications Corporation, the country's biggest print contractor.

The union's leadership faces not only a High Court injunction, granted on Friday to the BBC and BPCC, but also resentment among the members involved.

Mr Robert Maxwell, chairman of BPCC, believes disaffection is so strong that some of the printers will *work today* on the *magazines with* or without the official consent of Sogat.

The *injunction* orders *Sogat to* cancel the instruction issued to members at BPCC plants at East Kilbride, Leeds and Bristol to take action in support of the dispute at the Park Royal works in West London.

Mr Bill Keys, general secretary *of Sogat, said yesterday* that *he* would not comment until he had seen the terms of the court order.

Nuclear disarmers shelve decision on Nato withdrawal

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MEMBERS of the Campaign for Nuclear Disarmament (CND) yesterday called on the trade unions for support with industrial action. But they shelved a decision on whether to include withdrawal from Nato in CND policy.

These were among the main decisions taken at CND's annual conference in Sheffield, Yorkshire, at the weekend. The conference, attended by more than 2,000 members, appears to have revived government fears that CND may be making *progress in the propaganda battle.*

The conference prompted Mr Michael Heseltine, the Defence Secretary, to issue a statement attacking the politicisation of CND and describing the organisation as "a danger to the prospects of arms negotiation and a lowering of international tensions."

Mr Heseltine insisted there were links between CND and the Kremlin.

He said that "much of the political leadership of CND is deeply political." He added: "Whether it be the chairman advocating an onslaught on Conservatives in marginal (parliamentary) seats or the general secretary enthusing over the support of the Communist Party, few doubt the left-wing influences at work."

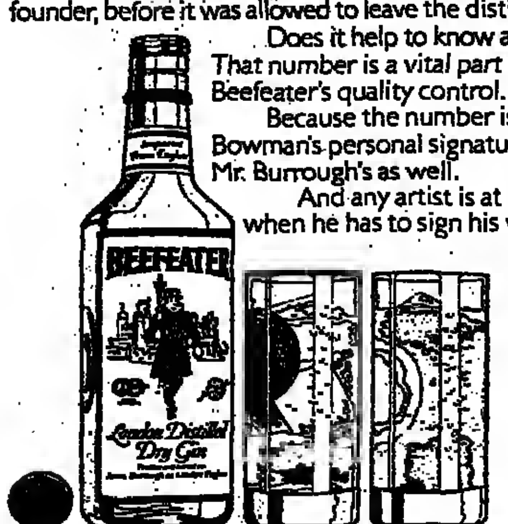
Monsignor Bruce Kent, the general secretary of CND, yesterday replied to the criticism of his decision *to* address the annual conference of the Communist Party last month.

He said: "I did not realise how many there are who still think that this small political group, nut of favour in Moscow and clearly Euro-Communist, is the front runner for a Soviet grand design. I don't believe it."

Mrs Joan Ruddock, CND chairman, insisted that the organisation was politically non-aligned. She said: "It gives us no comfort that everything we have said about Nato responsibility in leading this new round in the nuclear arms race is coming true. But there will be no comfort either for the Soviet Union."

● Nato foreign ministers meeting in Brussels on Friday are expected to confirm the appointment of Lord Carrington, former UK Foreign Secretary, as Nato's new secretary general.

MPs to examine Trident costs, Page 14



UK NEWS

Business Expansion Scheme stalls

BY TIM DICKSON

A mixture of over-fierce competition, criticism of high management charges and failure to communicate how the Government's Business Expansion Scheme works has led to a lack of enthusiasm among potential investors, writes Tim Dickson. Recently, however, the scheme has benefited from a greater publicity push.

THE UK Government's Business Expansioo Scheme (BES) is proving less popular with private investors than some City of Londoo fund managers had originally hoped.

Despite some aggressive marketing in the last couple of mooths, certain fund promoters privately admit that the public response has beeo disappoioting. Aitkeo Hume, the industrial holding company, for example, only managed to raise £1.5m of the £2.3m required to get a private hospital project off the ground in the West Midlands last month – and had to return cheques to investors – while some of the recently launched managed funds have been struggling to attract adequate support.

Fierce competition is partly responsible with about 30 funds now on the market, but managers say that criticism of charges has influenced investors and that many still do not understand how the scheme works.

The BES – first announced in this year's budget – allows individuals to claim tax relief at their top marginal rate on new equity investments in most unquoted trading companies (excluding those on the Unlisted Securities Market).

No individual can invest more than £40,000 under the scheme in any one year, and shares must be held for at least five years to qualify for the tax relief. But it nevertheless means that a £10,000 investment for a 75 per cent taxpayer costs effectively only £2,500.

Since early summer when the scheme became law, investmeot managers, stockbrokers, merchant banks and assorted licensed dealers have been launching professionally-managed closed-end funds in an effort to match individuals willing to invest with unquoted companies seeking fresh capital. So far, between £25m and £30m has been raised but several funds are still accepting cheques.

By the end of this week, for example, the Britannia Business Expansioo Fund, the Sabrelance Business Expansioo Fund, the Minister Trust 1983-84 Business Expansion Scheme Fund, and the County Bank First Business Expansion Fund will all be closing their application lists. Hill Woolgar and the Ravendalo Bexfund will be open until later in the month.

Most managers were reluctant late last week to disclose how much is in the kitty thus far. But judging by the experience of other funds, investors tend to wait till the last possible moment to send in their cheques

All admit, however, that recent criticism of management charges, which vary widely between funds, has dampened enthusiasm though managers argue forcefully that much of it has been unfair and ill-informed. Private businesses, they point out, require much more attention and investment management time than companies in a typical quoted portfolio.

The widespread publicity being given to the scheme, meanwhile, is encouraging a flood of new investment proposals.

Hambros starts interest rate hedging plan

By Mary Ann Sieghart

COMPANIES will be able to insulate themselves against movements in interest rates under a scheme launched today by Hambros Bank.

The service, called Forward Interest Rates Set Today, or 'First,' enables customers to fix the interest rate on a loan or deposit np to six months in advance. The agreed rate will then hold for a maximum of six more months.

First will be available in sterling, dollars and most major currencies for a minimum transaction of $100,000. A customer will specify the currency, amount, start date and period concerned of the loan or deposit and Hambros will quote an interest rate. If the customer agrees to the rate, a contract is signed.

UK COMPANIES PAY HIGH LEVELS ON PROFITS

Business taxation 'low'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE BURDEN of business taxation in the UK is low in relation to output, compared with other major countries, according to a study published today.

The Institute of Fiscal Studies estimates that taxes levied directly on businesses in 1980 in the UK represented 13 per cent of national output.

This was similar to the ratio to output in the U.S., West Germany and Japan, but substantially lower than in Italy (18 per cent) and France (20 per cent).

However, business taxes represented a higher proportion of profits in Britain than in any other country except France, UK business taxes represented 93 per cent of corporate profits in 1980, compared with only about 50 per cent in Japan and about 60 per cent in West Germany and Italy.

BURDEN OF BUSINESS TAXATION (1980)

Country	Tax as % of output	Tax as % of profits
France	20	96
West Germany	13	62
Italy	18	63
Japan	13	51
UK	13	93
U.S.	14	84

Source: Institute of Fiscal Studies

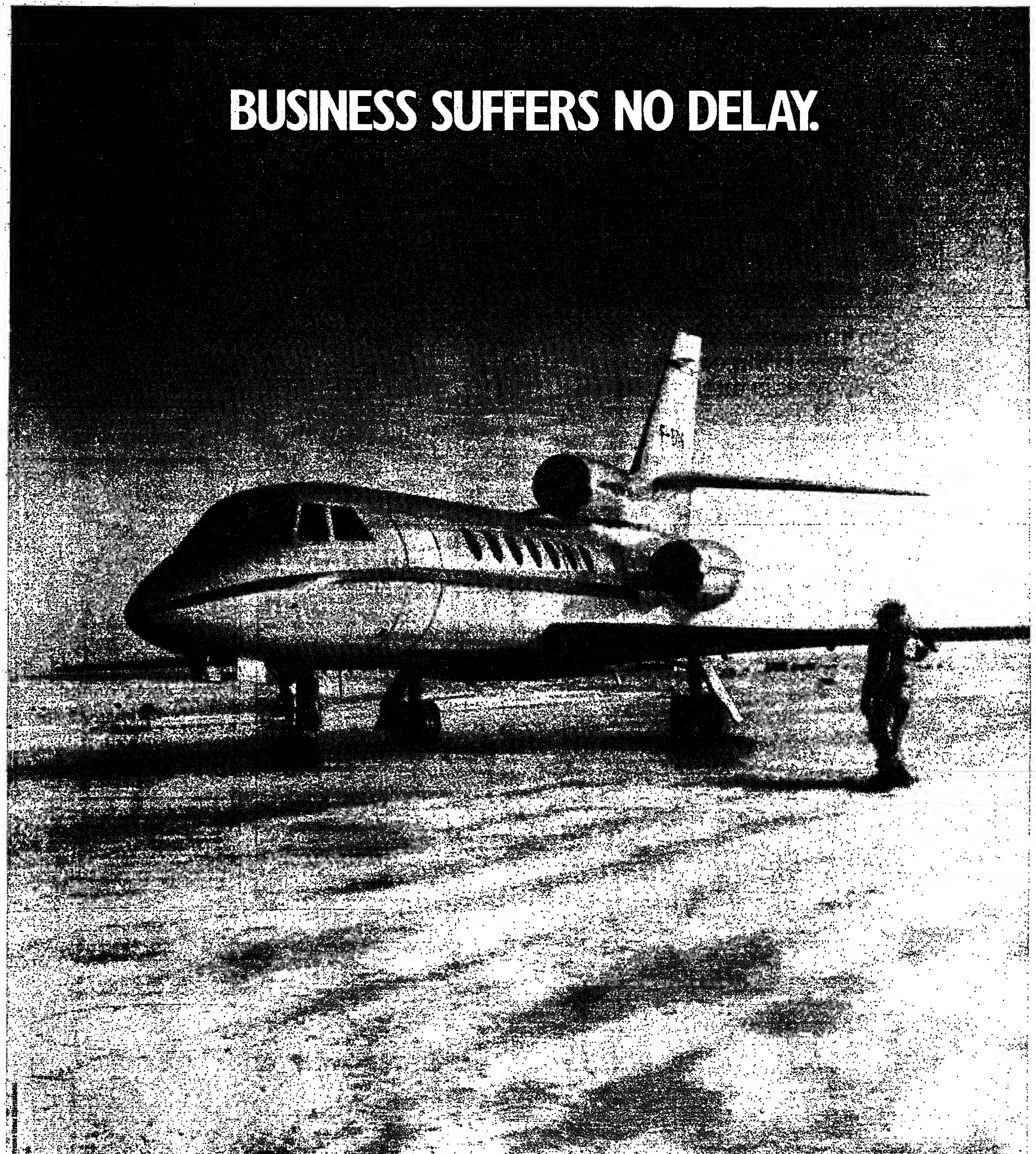
The study, by John Kay and Jadu Sen, is summarised in the Institute's magazine Fiscal Studies published today.

The authors caution that precise comparisons are difficult because of conceptual and other problems, and that the figures should only be used to give a broad picture.

In all countries, business taxes rose as a proportion of national income during the 15 years up to 1980. In the UK, for example, the proportion in 1965 was 9 per cent, compared with 13 per cent in 1980.

Analysis of the different types of business taxation showed that taxes on labour in Britain were relatively low as a proportion of the total payroll.

However, in the decade to 1980 the hurden of taxation on labour costs rose in Britain, while the burden of capital taxes as a proportion of profits fell.



A businessman is a marathon man. From working breakfasts to meetings, his life is governed by a stopwatch, not by a clock. This sort of rhythm excludes short-breathed members from his team, the 100 metres record holders who cannot perform just as smoothly over a 10,000 metres distance.

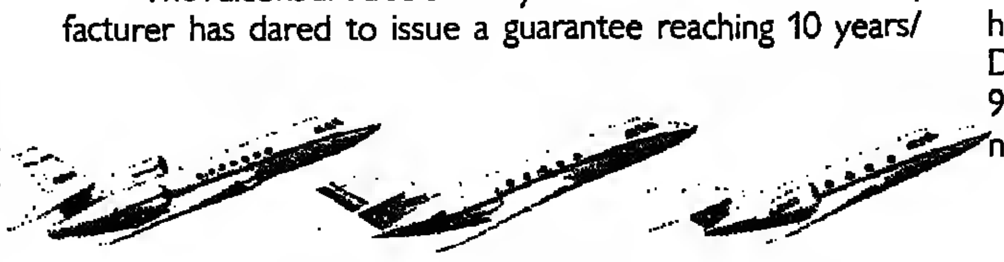
Nearly 800 top executives, both in the public and private sectors, have experienced this vital efficiency with the Falcons, even when carrying out a mission in remote areas under severe climatic conditions.

Did you know, for instance, that during nearly 8 years the American transportation company "Federal Express" has subjected its 32 Falcon 20's "Cargo" to a gruelling pace which only an exceptional plane could withstand, with an availability ratio during this period of 99,5 %. To achieve such a performance, you need a special breed of aircraft. Indeed the Falcon is the only corporate jet whose structure has been certified "without working life limit". For the Falcon users this means that they do not have to replace regularly such vital (and costly) parts as, for instance, a complete landing gear.

The Falcons are also the only aircraft for which the manufacturer has dared to issue a guarantee reaching 10 years/10,000 flying hours. All of which stems from the often-mentioned fact that the Falcon is a real airliner built like a fighter plane.

But we keep talking, while time goes by. Quick, take off! Business suffers no delay.

A special information kit on the Falcon 100, 200 and 50 has been prepared. To obtain it, please send your card to Paul Delorme, Dassault International, 27 rue Victor-Pauchet, 92420 Vaucresson, France, or just call him at the following number: (1) 741.79.21.



Dassault International

Business takes off with Falcon

UK NEWS

Innovation of drugs 'deterred by costs'

By David Fishlock, Science Editor

THE RISING costs and risks of pharmaceutical development are obliging drug companies to concentrate on certain well-researched problems and to neglect the rest.

Companies are not compensated for going bankrupt in the search for socially desirable but uneconomic drugs, says a report on the future of pharmaceutical innovation, published today.

The study, made by the Office of Health Economics, a London-based "think-tank" funded by the British pharmaceutical industry, finds the current environment discouraging to innovation in treating many diseases such as Parkinson's disease, which afflicts about 60,000 to 80,000 people in Britain, and multiple sclerosis, which afflicts about 50,000.

It costs between £50m and £100m, over 10 years or more, to perfect a major contribution to drug therapy. More than half the money goes into controlled testing of the drug on patients before the drug can be marketed.

The study finds no reason for thinking that medical scieoce itself is running out of good ideas for new drugs. It argues that economic and oot innovative constraints are holding back therapeutic progress.

Pharmaceutical Innovation: Recent trends, future prospects. Published by the Office of Health Economics, 12 Whitehall, London SW1A 2 DY. £1.

MPs to examine costs of Trident programme

BY PETER RIDDELL, POLITICAL EDITOR

THE FINANCIAL arrangements for the purchase of the Trident nuclear missile system by the British Government from the U.S. are to be examined by the main parliamentary watchdog.

The aim is to avoid a repetition of previous occasions wheo major defence projects, notably the Chevaline modernisation of the UK nuclear deterrent, were not reported to parliament until after a large escalatioo io costs.

Mr Gordon Downey, the comptroller and auditor general, and his staff, who monitor government accounts on behalf of parliament, are preparing a report on the relationship betweeo the UK and U.S. on Trident, including the contract for the construction of four submarines.

This will be considered by the all-party Public Accounts Committee of the House of Commons for possible questioning of officials in early summer next year.

Preparatory work has already been done on Trident, which is not due to enter Royal Navy service until the mid-1990s. Mr Downey's intention is to keep the MPs on the committee fully informed on the progress of the project.

Last March, the Ministry of Defence estimated that Trident would cost roughly £7.5bn at 1982-83 prices. However, about 45 per cent of this sum will be spent in the U.S. and the fall this year in the sterling exchange rate against the dollar may significantly increase the cost.

In addition, there have been some reports from the U.S. of certain problems with the development of the submarines, which may also affect the cost.

The Trident inquiry is one of a number of subjects which Mr Downey recently discussed with members of the Public Accounts Committee, which is chaired by Mr Robert Sheldon, a former Labour Financial Secretary to the Treasury.

Among other issues likely to be examined over the next year for possible investigation by the committee are the "black" or hidden economy and the related Keith Report on the Inland Revenue's powers of investigation. The operation of home improvement grants, errors in estimating public sector borrowing and motorway repairs may also be considered.

After a recent comment by Mr Downey on government accounts, the committee is likely to look at the workings of the premature retirement scheme in the National Health Service and at the evasion by motorists of vehicle excise duty.

The MPs will look as well at the costs and impact of the sale of government shareholdings in Britoil and in Associated British Ports. This follows a highly critical report last year by the same committee on the methods, and cost for the taxpayer, of the privatisation of British Aerospace and of Amersham International.

Mr Downey and his staff have been preparing a programme of work for the next year or so, including suggestions from MPs on the committee. Preliminary studies will be undertaken to see whether more detailed inquiry is justified.

Bill to free spectacle price published

By Gareth Griffiths

THE GOVERNMENT today publishes a Bill covering ophthalmic services, which it believes will "lead to more competition, better services and lower prices," but which its critics say will mean higher spectacle prices for perhaps most consumers.

Mr Norman Fowler, the Social Services Secretary, wants opticians to be able to advertise, and retailers other than opticians to sell spectacles over the counter, provided the customer has a prescription written in the preceding two years. The supply of National Health Service spectacles is to be restricted to children and people on low incomes. Sight tests, which run at about 10m a year, will continue to be free.

There has been a mixed response from opticians as to the likely effects of the proposed changes, due to become law in June. The end of the general supply of NHS spectacles is planned for April, 1985.

Mr Clive Stone, chairman of Dolland and Aitchinson, the UK's largest opticians' group, said: "The effect of these changes oo opticians will be quite startling. We could reduce our private spectacle prices by between 15 per cent and 25 per cent across the entire range."

The Government's argument is that the opticians' sector has been distorted by NHS provision, rigid cootrols on advertising and a sales monopoly introduced in 1958.

Ministers say that once those obstacles to market forces have beeo removed, the high price of private spectacles will come down. There is no intention to compromise any part of the Bill, although negotiations will start next year with opticians oo how to operate the new scheme.

APPOINTMENTS

New chief for Plessey company

Mr F. K. Chorley has been appointed executive chairman of PLESSEY TELECOMMUNICATIONS AND OFFICE SYSTEMS (PTOSL). He is also appointed a deputy chief executive of the Plessey Company and a member of the chief executive office. Mr Chorley, who has been with the Plessey Company since 1974, moves to PTOSL from Plessey Electronic Systems (PESL), where he has been deputy chairman and managing director. **Mr Eric Clark** has been appointed managing director of PTOSL with responsibility for both UK and U.S. operations. Mr Clark was chief executive of Plessey Telecommunications Limited, a subsidiary of PTOSL.

★

Mr John R. Walker has been appointed deputy managing director of DOWTY MINING EQUIPMENT. He was technical director. **Mr James Masson** has been appointed executive director—commercial of Dowty Fuel Systems. He was commercial manager.

★

OFFICE CLEANING SERVICES has appointed **Mr Alf Lawton** as regional director, Birmingham, responsible for all junior management training.

★

Mr Geoffrey Parsons has been appointed a non-executive director of the BARRETT AND WRIGHT GROUP.

★

Herr Hilmar Kopper, member of the board of managing directors of Deutsche Bank, and non-executive chairman of Flachglas—a Pilkington group member—has been appointed a non-executive member of the board of PILKINGTON BROTHERS.

★

Mr Frank Hemsworth has become sales director of UNIPART INTERNATIONAL. He was marketing services director.

★

Mrs Rosemary Brown has been appointed director of business development, C & K CONSULTING GROUP.

★

Mr Michael Evans, until recently deputy chairman and director of the management board of pharmaceutical manufacturers Siegfried AG of Switzerland, has been appointed director general of the DAIRY TRADE FEDERATION. He continues with his current appointment as a non-executive director of Laporte (Holdings).

★

Mr John C. Milne, chairman, is retiring from the board of the STAFFORDSHIRE BUILDING SOCIETY on December 31. **Mr Peter Brown** has been named as chairman-designate. Mr Brown joined the Society's board in 1975 following the merger with the Stafford and County Permanent Building Society of which he was a director.

★

Mr Christopher Kirman has resigned as managing director of TR NATURAL RESOURCES INVESTMENT TRUST but remains a director. **Mr Peter Kysel** has been appointed manager of the company. Mr Kysel has been with the Touche Remnant Group for the past five years as an analyst and fund manager with special responsibilities in the mining area.

★

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc, Los Angeles, will be assumed by **Mr Raymond Smyth**, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

★

Mr Anthony Campling has joined HOUSTON FINANCIAL SERVICES as director of Corporate finance.

★

Following the retirement of **Mr Tony Hooper**, **Mr Miles Roberts**, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by **Mr Geoffrey Stocks**. **Mr Peter Adams** replaces Mr Stocks as marketing director.

★

RECKITT & COLMAN has appointed **Mr Owen T. Parmenter** from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1961. In 1982 he was appointed chief executive of Reckitt & Colman's business in South Africa.

★

BOUSTEAD has appointed **Dato' Abdullah Mohamad** to the board. He has also joined the board of the Singapore-based subsidiary Bousteadco Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

★

TPT paperboard packaging company based in Romiley, Cheshire, has appointed **Mr D. G. Summers** as managing director of its general products division. He has also been elected to the board of TPT. He was general manager, general products division.

★

Mr John Coleman has been appointed managing director of WESTWARD & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Ince, Chester. He will succeed **Mr Paul Squire** who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF bv in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

★

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed **Mr Richard L. Desmond** who has left the company to take up another appointment.

★

Mr Gustav Friedrich zu Salm, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CHASE MANHATTAN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. **Mr Giovanni Emo Capodilista** and **Mr Jose Peman** have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

Benn Brothers makes changes

Mr James Benn, a director of BENN BROTHERS and chairman and managing director of its largest subsidiary, Benn Publications, has decided to leave the group at the end of March. From January 1 **Mr James Lear**, a director of Benn Brothers, is appointed managing director of Benn Publications, with James Benn continuing as chairman of BPL until March. **Mr Iain Laughland** is appointed deputy managing director of BPL. **Mr John Brazier** is promoted to publishing director and joins the board of BPL. **Mr Val Presland** continues as telesales manager of BPL but is also appointed publisher of education equipment. **Mr James Secker**, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

★

For personal reasons, **Mr S. H. Wright** has resigned as chairman and chief executive of INTERNATIONAL COMMERCIAL BANK. For the time being **Mr K. F. Einfield** will act as chairman and chief executive.

★

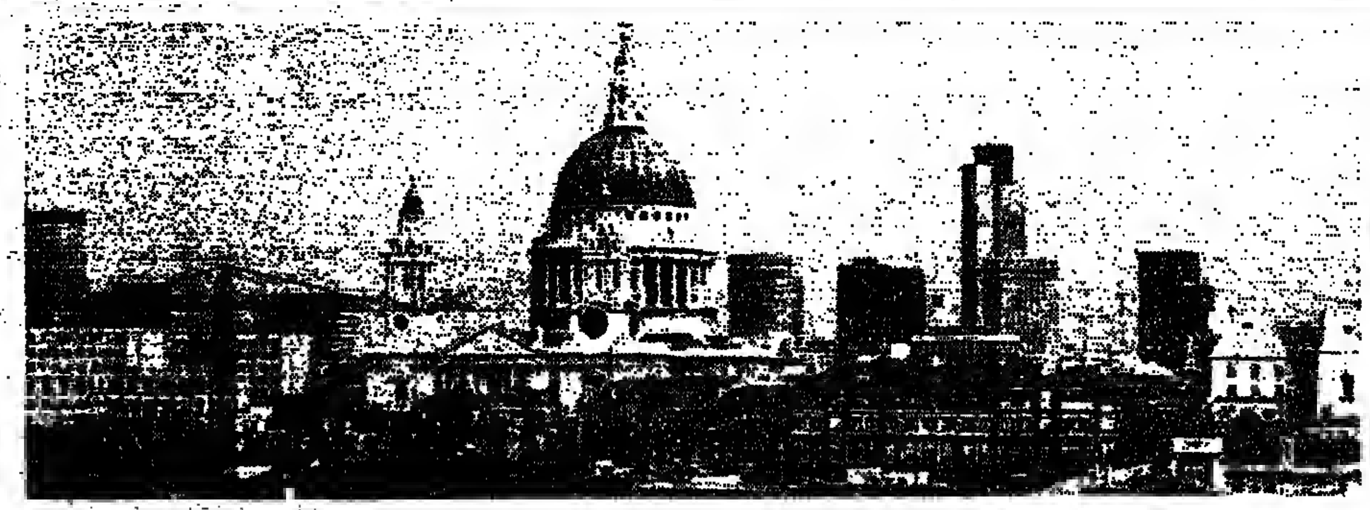
EXETER TRUST, banking subsidiary of Provincial Insurance, has appointed to the board **Mr Martin Sowman**, head of marketing and **Mr John W. Ross**, a general manager of the Provincial Insurance.

BASE LENDING RATES

A.B.N. Bank	9 %	Heritable & Gen. Trust	9 %
Allied Irish Bank	9 %	■ Hill Samuel §	9 %
Amro Bank	9 %	C. Hoare & Co. †	9 %
Henry Ansbacher	9 %	Hongkong & Shanghai	9 %
Arbuthnot Latham	9 %	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	9 %	Knowsley & Co. Ltd.	9½%
Associates Cap. Corp.	9½%	Lloyds Bank	9 %
Banco de Bilbao	9 %	Mallinhall Limited	9 %
Bank Hapoalim BM	9 %	Edward Manson & Co.	10 %
BCCI	9 %	Meghraj and Sons Ltd.	9 %
Bank of Ireland	9 %	Midland Bank	9 %
Bank Leumi (UK) plc	9 %	■ Morgan Grenfell	9 %
Bank of Cyprus	9 %	National Bk. of Kuwait	9 %
Bank of Scotland	09 %	National Girobank	9 %
Banque Belge Ltd.	9 %	National Westminster	9 %
Banque du Rhone	10 %	Norwich Gen. Tst.	9 %
Barclays Bank	9 %	P. Raphael & Sons	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	9 %	Roxburghe Guarantee	9½%
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9 %	Standard Chartered ‖	9 %
CL Bank Nederland	9 %	Trade Dev. Bank	9 %
Canada Perm't Trust	10 %	TCB	9 %
Castle Court Trust Ltd.	9½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	United Bank of Kuwait	9 %
Cedar Holdings	9 %	United Mizrahi Bank	9 %
■ Charterhouse Japhet	9 %	Volkskas Intnl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings ‖	10½%	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	9½%	Wintrust Secs. Ltd.	9 %
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9 %		
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 5.75%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.
0 Money Market Cheque Account = 8.75%. Effective annual rate—9.11%.

THE ARTS



The City is disappearing under a wave of bad architecture—will this view survive?

Architecture/Colin Amery

From Splendour to Banality

If, as Shelley said "Hell is a city much like London," then those nether regions must be full of faceless office blocks occupied by tortured souls waiting for their pensioned relief from the daily toil. To get some idea of what that city of night, that Babylon in all desolation might look like, take a walk around the Square Mile on a grey December day. To ensure that you can really enjoy the total gloom and to indulge your depression to the full, carry with you a copy of a recent slim volume of pictures compiled and published by that stalwart and honest band of civilised folk who comprise the SAVE Britain's Heritage group.

Their book, and I am sending it for Christmas to the Secretary of State for the Environment and all his henchmen, is called *From Splendour to Banality, The Rebuilding of the City of London 1945-1983*. It is worth every penny of the £5 it costs to have it sent to you from SAVE, whose address is 68 Battersea High Street, London, SW11.

It tells a terrible tale. First of all it is important to realise what the story is about. It is not the account of a city lost in war, fire or pestilence. It is the cool description of a city that completely lost the opportunity offered by wartime destruction to rebuild with beauty and humanity. But worse than that, it tells of a city that continued to destroy itself by tearing down most of the decent buildings that had been spared by enemy bombs. Future generations, if they come to the City at all, will think that the City fathers of the post-war period suffered a collective loss of civilised values and turned official vandals. The sack of the City of London was achieved by its own nominal leaders—159 councillors and 25 aldermen elected on an archaic franchise, totally unreformed since the 13th century.

Of course the SAVE book tells a biased story but it does tell it with pictures and it is difficult for the visual evidence to lie. They are right when they say that the appearance of the City today is a record of the planning policies of the late 1940s when the will to reconstruct and banish the past was so strong. It was the amalgamation of small sites into large ones—what the Corporation poetically called "units of redevelopment"—that killed the City's character.

Necessary road widening clearing spaces around monuments that were designed to be seen quite differently, the decline of residential accommodation—Barbican notwithstanding—all these factors have killed the City. But the chief reason for the sheer lack of beauty in the City today is the low, low standard of the new architecture of the post-war building boom. Here the SAVE report falls down. They have done all the research they can to tell us who designed the lost edifices but they never once name the architects of any of the new buildings.

In the end, despite developers, accountants and estate agents sitting on the Court of Common Council, it is the architect who designs the elevations and who has so miserably failed to act as the aesthetic conscience of London. It is not true to say that progress and efficiency demanded the destruction of so much of human scale and decent quality. Look at the centre of Paris (admittedly not bombed) where government control on demolition has preserved the total integrity of the city centre.

London after the Blitz could have opted for beauty and convenience but the creative vision was not present. Lord Holford's plans around St Paul's were completely ruined by the dreadful architecture. I think that Paternoster Square and the buildings to the North of the cathedral (architects Trehearne and Norman, Preston and Partners) could not be less inspired or appropriate for that important site. Similarly, the landscaping south of the cathedral is too un-coordinated and miniature for such an important area, and the choir school (architect Leo de Syllas of the Architects' Co-partnership) now looks jagged and unsympathetic.

Where the vision really failed was in the failure to grasp the opportunity to recreate something of Sir Christopher Wren's skyline. Although by 1945 there were only 23 Wren churches left from the 53 he designed, the remaining towers and spires suggested the glorious progression of scale that Wren planned to lead to his great dome. Although the churches have often been most carefully restored, their place in the skyline has been totally eliminated. The exposure of some of the churches to the motorway world of Lower Thames Street, St James Garlickhithe and St Benet Paul's Wharf in particular, is totally philistine.

The SAVE book on the City is a chilling indictment of post-war planning and architecture. Is the future any brighter? There is a sizeable list of future demolitions and a horrifying view of the proposed Wimpey building (architects Fitzroy Robinson and Partners) at Little Britain. All make the future look as bleak as the past. There are some positive warnings: we should keep alert to preserve the informal and pleasant quality of the Smithfield area, be wary around Spitalfields, watch for the continuation of London Wall both east and west, and be vigilant about all historic buildings.

It is hard to imagine the city of the 21st century. This report sounds a warning that things could descend from banality to utter bathos.

Huddersfield Festival

Dominic Gill reports on 'one of the most remarkable musical success stories of the decade'

I called it last year one of the most remarkable musical success stories of the decade: the rise of the Huddersfield Contemporary Music Festival from its humble beginnings in the town's Polytechnic in 1977 to its present stature as the most important—and indeed the only annual—festival of new music in the British Isles.

From the start Richard Steinitz, the festival's artistic director and senior lecturer in the music department of Huddersfield Polytechnic, has run his festival on a shoestring. He has succeeded last year and this in creating a week-long programme packed with action and interest, on a budget around a tenth the size of the budget of a comparable European event—which, as it happens, is not so much a proof of Europe's profligacy as a tribute to the scores of people in Huddersfield who gave their unpaid time to the festival's organisation, and to the artists who agreed to appear there for much less than their usual fee.

Since it is, in essence, an admirable and important extension of the work of the Polytechnic's music department, "festival" in Huddersfield does not mean a prestigious, elitist showcase — cultural *parachutisme* from the capital to the provinces, of most evident benefit to a handful of journalists, agents and publishers. It means a serious forum, a lively meeting place, at which new music is performed and discussed by composers, performers and audiences in a local milieu. It was one of Huddersfield's most notable achievements again this year to include so many events which alone would have justified a trip to Yorkshire. The halls were crowded, however — sometimes beyond capacity, spilling over into the aisles — not just with visitors, but with local (and local student) faces.

Last year the work of one composer, Iannis Xenakis, was singled out for special treatment. This year the main focus was divided between two composers whose style and manner could hardly be more polarised—the German Hans Werner Henze, and the American Elliott Carter. It is just this sort of sustained exposition and contrast, revealing in its very relentlessness, which a festival such as Huddersfield's is ideally suited to undertake. Both composers were present, and each took part in an open-forum question-and-answer session during his stay. In nine concerts over one long weekend (the festival week lasts from Thursday to Wednesday), each had eight works performed.

Before the appearance of Henze and Carter, a useful function was served early in the week by an extra-thematic event, the British debut of the Parisian "experimental" chamber group *L'Itinéraire*. I put quotation marks around the adjective which the group includes in its full title, since their work in fact could hardly be farther removed from the field of real experiment. Each of the five pieces in the programme was a nostalgic clone of the self-same contemporary-music identikit which French ensembles have been serving up, virtually without interruption, since the mid-1960s: elegant, melodramatic kitsch, whose sole overriding concern is superficial effect, the dressing up of a pretty but perfectly arid exercise in elegant clothes. Such pretentious doodling was not to be taken seriously, but at least it provided an important reference point for the week: the base-mark of the scale to which all else could be related.

Since the death of Shostakovich our age can no longer claim any great composers (with the conceivable exception only of Karlheinz Stockhausen — but has any great composer also seasoned his opus with so many embarrassing gaffes?). Hans Werner Henze is not a composer whose work has ever attracted or interested me greatly—though to be sure beside the offerings of *L'Itinéraire* his *Miracle of the Rose* (premiered by the London Sinfonietta last year and heard again in Huddersfield) seemed a paragon of concentration, virtuosity and variety.

How to place him—this *Wunderkind* (Henze was exactly 20 in 1946), and now the somewhat ambiguous father-figure, of the German post-war neo-romantic movement? The talent, and especially the quick brilliance of the ear, are indisputable. I had hoped that such a close concentration of his work must reveal deeper workings, deeper currents—but the most powerful impression, under the lushly pictured surface of the music, was only of a yawning emptiness, a self-indulgent, self-defeating narcissism that at heart declared closer kinship with the vapid gesturings of *L'Itinéraire* than one might ever have previously imagined.

If Henze's music is an open, empty book, Elliott Carter's is still for me, by and large, as closed as it is densely crowded: at once deeply absorbing and deeply unapproachable. That is a paradox which bears all the hallmarks of subjective inadequacy. Whatever the case, it hardly stands for critical comment. But for the present, I do not believe I know any other composer whose music I respond to so vividly in the mind, and with such puzzlement in the heart. The second and third string quartets, brilliantly played here by the Arditti Quartet, remain as hermetic—and their musical processes (as distinct from their purely formal structure) as obstinately unyielding—after 10 hearings as they had been after the first. Of Carter's most recent works, *The Triple Duo*, first given in England by the Fires of London at this year's Proms, and again by them at Huddersfield, is perhaps the most pungent, brightly coloured and accessible. Its tight-wound ball of argument packs a punch; its centre is still veiled.

Space allows no more than brief mention of the other highlights of a remarkably rich and demanding week. The Arditti also gave in their recital the premiere of a new quartet by James Dillon (b. 1950)—urgent, restless, substantial. It sounded at first hearing (and looked in score) to be somewhat doggedly over-written, over-dense, but of much interest, and definitely worth revisiting (and perhaps also, in the light of the first performance, revising). Xenakis's recent *Tetras* for string quartet gives elemental voice to the marking *furioso* (much used, but more mystifyingly, in Carter's No. 3), with an immediacy which draws the listener, whether he wishes or no, instantly into its dimension. In 18 months, Gregory Knowles has worked up his important cimbalom part in Peter Maxwell Davies's *Image, reflection, shadow* to a sensational tour de force. Many other performers, especially the cello-piano duo of Rohan de Saram and Douglas Young, the cellist Alexander Baillie, and the New London Chamber Choir under James Wood, made distinguished contributions.

Mireille/Coliseum

Ronald Crichton

Gounod's *Mireille* was added to the ENO repertory on Thursday evening. This adaptation of Mistral's Provençal poem is on a different footing from the 19th century operatising of, say, Shakespeare and Goethe in which Gounod's librettist Carré was much involved. Mistral was alive: indeed he was younger than Gounod, who went to Provence and was bowled over by the beauty of the country round Arles and by the ancient, still unspoiled rural life. The poet was welcoming and cooperative. The composer's delight in what he saw is reflected in the crystal clarity and classical economy of the pastoral scenes of *Mireille*, forerunners of Bizet's *L'Arlésienne*.

The shape of the opera—an idyll or eclogue shading into tragedy as the love of the rich farmer's daughter Mireille for the poor basket-weaver Vincent is increasingly threatened—was dictated by the poem. The mixture entailed problems which Gounod did not entirely solve. All the same, his score in no way deserved the brutal treatment to which it was subjected after the first production, at the Théâtre-Lyrique in 1864. *Mireille* emerged with spoken dialogue in place of recitatives (reversing the usual process), large cuts, a virtuoso waltz-song for the prima donna wife of the manager, Carvalho, and a happy end for the lovers.

Attempts were made to go back to the original conception but were not successful until 1939, when Reynaldo Hahn and two colleagues imposed (and Hahn conducted) a full restoration at the Opéra-Comique. In one form or another, *Mireille* remained genuinely popular in France, partly as a tourist attraction for open-air performance in Provence. It is worth more than a folklore fate. Now London audiences (after how many years?) have a chance to grow fond of this disarmingly appealing, human and poetic music. More even in quality than *Faust*, less demanding vocally than *Romeo and Juliet*, *Mireille* could become the most popular of Gounod's operas.

This co-production with the Grand Théâtre of Geneva was reviewed here at the time of the Swiss premiere, about two years ago. The director Antoine Bourseiller and designer Bernard Daydé have made some alterations. The arena-segment single set has been changed into a high platform with two openings and movable flights of stairs. Except for the artex-type finish (uncharacteristic of this designer, normally a master of texture) the new arrangement works better than the old one for the first half of the opera, providing an effective background for the disposition of principals and chorus in Daydé's handsome Arlesian costumes.

The second half does not go so well. The tone of the magic scenes—by the lair of the friendly crone Taven, at night on the banks of the Rhône and in the sunbaked desert of the Crau—is hard to catch. Gounod was made of less stern stuff than High Romantics like Byron, Delacroix and Berlioz. He belongs to the world of Mendelssohn and early Corot. That does not mean that his ghostly shudders would go wishy-wasby, as they did on Thursday in the Rhône scene. There the distinguished guest conductor from Lyon, Serge Baudo, momentarily lost his sure touch (the off-stage chorus were at times almost inaudible). The stage evolutions are a confusing muddle. Hugh Macdonald's mostly sound and sensible English translation here takes some melodramatic stumbles. The ticklish last scene also needs firmer handling.

Valerie Masterson's Mireille is even more endearingly fresh-voiced at the Coliseum than in Geneva—and how well she wears her costumes. An admirable performance, rightly acclaimed. Adrian Martin has the right kind of lyric tenor for Vincent, but his acting is not as good as his singing. Ann Howard as crone Taven and Rosanne Brackenridge as songful shepherd-boy contribute clear-cut portraits of exactly the kind needed. As Mireille's dislikeable father, Maître Ramon, Dennis Wicks is most successful when the old beast's paternal authority is declining. English opera companies seem to assume that Gounod's lesser roles sing themselves and orchestras that his scores are easy meat. They are wrong.

Incidental Music/Orange Tree

B. A. Young

The cheerful ambience of the Orange Tree and the lure of Alan Ayckbourn's name give the prospect of a happy evening; but to be honest, I don't think I can rate *Incidental Music* as better than a passable way of spending an evening if there's nothing else more exciting, like snooker on the telly.

It consists of 12 musical numbers, plus an opener and a closer of no importance, that could have, but didn't, let us know which of the six players was which. The music by Paul Todd doesn't offer anything as ambitious as a song. Instead, the rhymed scripts are performed in a kind of rhythmic recitative while a guitar and a keyboard maintain a simple four-in-a-bar accompaniment, except in the case of an item called "Photocopy Love", which blossoms out into waltz time.

The themes dealt with are the small change of comic cartoons in the humorous papers—marital fidelity and infidelity, saloon-bar chat, romance in the office. I think the sketches would have been funnier if they hadn't been sung, as more expression could have been put into them. Occasionally, a sharp exchange sticks out — "Are you kids well?" "It's hard to tell." The most elaborate number is the final "Petra and the Wolves," which uses the Prokofiev scheme of narrative and music to recount a tale—but only just another tale of sexual comings and goings. Not a hint of reference to Prokofiev, just more tum-titty tum-titty from the musicians.

The evening lasts about 75 minutes, and there's no interval.

Jean Seberg/Olivier

Michael Coveney

Some shows just never make their own luck. Peter Hall's National Theatre production of *Jean Seberg* has had more than its fair share of favourable advance publicity, but it has always had to combat the niggling complaints of those (myself included) who were concerned about the most heavily subsidised theatre presenting the work of a Broadway team of composer Marvin Hamlisch, librettist Julian Barry and lyricist Christopher Adler.

Break a leg, they say in America. And that is precisely what the first choice actress for Seberg did. Then J. Edgar Hoover sprained an ankle. But all at last is well and there is no denying that *Jean Seberg* is, in parts, an extremely powerful piece of work, a tragic cantata in the style of *The Seven Deadly Sins* by Brecht and Weill, that tells its grim story with conviction, a lucidly well-organised book by Mr Barry and few concessions to good taste.

Jean (Elizabeth Counsell) is first seen popping pills by the white Renault in the Paris street where, ten days later, she was found wrapped in a blanket on the back seat. She had been dead 10 days. She tells the marines she is about to re-make the trial scene in *Saint Joan*, her first movie for which director Otto Preminger plucked her from obscurity in Iowa.

On the film set, the Dauphin throws off his black cloak to bring charges as Hoover, head of the FBI. From this moment the rich duality of the central role is shared by Miss Counsell looking back and Kelly Hunter as Young Jean living through her nightmarish career. Both on film and in life, the show says, Jean Seberg was burnt at the stake.

She is the victim of Preminger's bully boy tactics; of the Press for her disastrous performance in *Saint Joan*; of her status as totem of the New Wave after appearing in Jean Luc Godard's *Breathless*; of her own naivety in falling in with the Black Panthers; and, finally, of a vicious FBI campaign conducted to discredit her in the public eye. In a peculiarly macabre sequence, Jean loses her baby and returns with the corpse in a tiny coffin to Marshalltown. She opens the lid to prove the baby was white and to disprove the FBI smear.

This last gesture has been interpreted in some quarters as racist, but Jean is by now severely unhinged. The company, in white coats and white masks, break into the show's most tastelessly sardonic number, "It's The Least We Could Do," lacing a stock Broadway fixed-smile and dance routine with the bitter hemlock of impersonal caring.

A cynic might say that, with a good Press agent by her side, none of this need have happened. But Seberg was a strong-willed girl with definite views. She had joined the local branch of the National Association for the Advancement of Coloured People at the age of 14. Mr Barry—and much of his work recalls his Lenny Bruce show some years back—makes cunning use of Seberg's own words, such as the bizarre statement during the filming of Lilith, "I'm playing a nymphomaniac in a mental institution. I'm happier than I've ever been in my life."

The material is smartly locked together, even to the poignant touch of the fading image of Seberg advertising the Herald Tribune on film while the bad Press piles up around her. Hoover, in the restlessly pouchy-eyed figure of Michael Bryant (not a patch, incidentally, on Vincent Gardenia in the recent Kennedy TV epic), wants her "neutralised."

Unfortunately, the lyrics of Mr Adler are irredeemably banal and the music of Mr Hamlisch likewise. The treacly lyricism of a song like "Dreamers" palls before the end of the first chorus. And a heavy-handed point number for Josephine Blake as the FBI bait and Judith Paris as a gossip columnist is intensely irritating.

Joss Ackland, ears almost buried in his shoulders, turns the French novelist Romain Gary, who walks out (twice) on Jean, into an intellectual version of The Incredible Hulk. And there is an absurdly twittering Godard from Paul Stewart.

Much of *Jean Seberg* is competent and hard-hitting. It is better than recent comparable musical tributes to James Dean and Marilyn Monroe. It avoids, for obvious reasons, the pitfalls of cloying hagiography. It is neat in form. But hardly the break-through

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

December 2–9

LONDON

Goldsmiths Choral Union conducted by Brian Wright. Handel Messiah. Royal Festival Hall (Mon). (928 3191).

Horacio Gutierrez, piano. Haydn, Schumann, Ravel and Liszt. Queen Elizabeth Hall (Mon). (928 3191).

London Philharmonic Orchestra conducted by Mstislav Rostropovich. Tchaikovsky, Mussorgsky/Ravel, Prokofiev. Royal Festival Hall (Tue).

London Symphony Orchestra conducted by Claudio Abbado. Bach/Webern, Webern, Berg and Mahler. Barbican Hall (Tue). (638 8891).

BBC Symphony Orchestra and BBC Singers conducted by Denis Russell Davies with Teresa Cahill and Anne Evans, sopranos and Dale Duesing, baritone. Schubert/Webern, Webern, Zemlinsky. Barbican Hall (Wed).

London Mozart Players conducted by Harry Blech with Sequeira Costa, piano and Ralph Kirshbaum, cello. Mendelssohn, Schumann.

London Philharmonic Orchestra conducted by Gustav Kuhn with Pascal Roge, piano. Beethoven. Royal Festival Hall (Thur).

Juilliard Quartet. Schubert, Wolf and Mozart. Queen Elizabeth Hall (Thur). (928 3191).

PARIS

Bryon Janis, piano: Mozart, Brahms, Rachmaninov (Mon) P.M.P.-Châtelet (233 4444).

Juilliard Quartet: Haydn, Mozart, Debussy (Mon). Salle Gaveau (563 2030).

Yehudi Menuhin as conductor, Paul Coker, soloist: Sonatas by Brahms, Bach, Debussy, Beethoven (Mon). Salle Pleyel (561 0630).

Luigi Alva recital: Dante Mozzala, piano: Arias from Verdi, Donizetti, Rossini (Mon). Théâtre de L'Athenée (742 6727).

English Concert conducted by Trevor Pinnock, Jennifer Smith, Soprano: Handel, Albinoni, Bach, Purcell (Mon) Saint Germain L'Auxerrois Church (Metro Louvre) (277 1990).

Stockholm's Gosskoer – Children's choir conducted by Roland Nilsson: Palestrina, Haydn, Mendelssohn, Sodermann, Poulenc (Tue) Saint-Séverin Church (Metro Saint-Michel) (277 1990).

Henryk Szeryng with the Pasdeloup Orchestra conducted by Gérard Devos: Berlioz, Brahms, Beethoven (Tue) Théâtre des Champs Elysées (723 4777).

Ensemble Orchestral de Paris conducted by Mark Deller. Deller Consort, Joel Poatet, Harpsichord: Händel's Acis and Galatea (Tue, Wed) Salle Gaveau (563 2030).

Brigitte Engerer, piano Schubert and Schumann (Wed) Théâtre des Champs Elysées (723 4777).

Orchestre de Paris conducted by Zubin Mehta: Haydn, Dutilleux, Strauss (Wed, Thur) Salle Pleyel (561 0630).

Hommage to Olivier Messiaen Messe de la Pentecôte, Louise Thiry, organ (Thur). Saint-Germain des Prés Church (277 1990).

Jacqueline Robin, piano: Mozart, Brahms, Schubert (Thur) Salle Gaveau (563 2030).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Lukas Foss conducting/pianist. Schubert-Webern Webern, Bach, Schumann (Tue); Andre Previn conducting, Cecile Licad piano. Rachmaninoff, Shostakovich (Thur). Lincoln Center (874 2424).

Merkin Hall: Monique Duphil piano, Jay Humeston cello. Poulenc, Debussy, Prokofiev, Chopin (Mon); Beveridge Webster piano recital. Brahms, Carter, Beethoven (Tue); Franz Eichberger piano recital. Brahms, Beethoven, Vozbert Linke (Thur). 67th W of Broadway (362 8719).

Kaufmann Hall (92nd St Y): Andre Emelianoff cello recital. Thomas de Hartmann, Beethoven, Messiaen, Schoenberg, Debussy, Richard Wernick: The Oracle of Shimon bar Yochai (world premiere). (Thur). 92nd & Lexington Av. (427 4410).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting. Wagner, Schmidt (Thur). (435 8111).

ZURICH

Tonhalle: Tonhalle Orchestra conducted by Ferdinand Leitner with Ander Foldes, piano. Beethoven, Mozart and Strauss. (Tue to Thur). (201 1580).

Saleroom

Antony Thorncroft

THE UNCERTAINTY over the future of Hong Kong has not seriously disturbed the market for Chinese works of art. Hong Kong remains the Asian centre for auctions of Imperial works of art, in particular Ming porcelain and other refined objects of the later ceoturies. But with many of the buyers coming from Taiwan, Japan and Singapore, a slight holding off by the local Chinese has not seriously disturbed prices.

In Sotheby's November sale, 19 per cent of the lots, in value, were unsold, a not unreasonable percentage. But while it remains easy to export goods out of Hong Kong there is unlikely to be a rash of selling. In the main, the problem for the auctiooeers is to find enough imperial goods of the top quality to attract the buyers.

The fact is that Chioese works of art appeal to a very international market, only equalled in the breadth of their appeal by Impressionist paintings. There have been booms and slumps in the sector, most notably in the mid-1970s, but in recent years it bas beeo a comparatively firm and orderly market, with collectors being forced to turn to oew areas because of the absence of the finest traditiooal porcelain goods.

So in the November sale the top price was HK$2.5m, around $320,000, paid for a small jade accessory, and it is jade, Chinese bronzes and works of art from the earlier periods which are now being actively sought. In the West, in particular, they are collected more keenly than the later porcelain.

Last week Christie's in New York had four important Chinese sales which totalled around $3.8m. There was a fairly high 27 per cent bought in, but the Georges de Batz collection of Chinese ceramics did well, with a Tang glazed wine ewer making the top price of $209,000.

Tomorrow, also in New York, Sotheby's is disposing of the Bull collection. Many of the items were acquired very cheaply just after the War and it is considered in the field of archaic jades to be one of the finest collections to appear on the market for over a decade. The top price could exceed $200,000, for a large jade belthook and pendant from the Warring States period.

Western dealers are likely to be the main buyers, as they will be in Londoo oo December 13 wheo a good geoeral Chinese sale is held. The most interesting lots are two rare bronze astrological figures, between two and three thousand years old. Current Chinese taste is antipathetic to such archaic items, but Americans and Europeans, who bave collected Chinese works of art for over two hundred years, will be bidding to ensure, that, for all the turmoil in Hong Koog, Chinese art holds its place in the affection of connoisseurs.

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Freer trade in Europe

BY AGREEING on a bilateral programme of collaboration in telecommunications, France and West Germany have made a start at breaking down national barriers in a major European industry whose fragmented structure has long resisted the impact of tha Common Market.

Wisely perhaps, in view of the mixed fortunes of some earlier European attempts at industrial co-operation, the two countries have set modest initial goals. Their first priority is to set up jointly a cellular mobile radio system, for which equipment will be supplied by both French and West German manufacturers. But they clearly see their agreement as a stepping-stone to wider reciprocal telecommunications deals in the future.

Though Britain would have been welcome to join in, it has not done so. It is still heavily preoccupied with the liberalisation of its own market and the forthcoming privatisation of British Telecom.

Earlier this year, the UK opted for a U.S. cellular radio system incompatible with the planned Franco-German standard. The official reason was that prospective system operators were keen to get started as soon as possible and did not want to wait around for a European agreement which might never materialise.

Regrettable

With hindsight, that seems regrettable. Common standards would not only free mobile radio users to roam across national frontiers: they would also help create a larger market, by permitting greater economies of scale in manufacturing which could reduce equipment prices.

The European Commission has recently been arguing along these lines in a renewed campaign for common telecommunications policy. Harmonising disparate regulations and opening national markets would, the Commission contends, speed up investment in modern communications networks and stimulate development of a technologically-advanced industry able to compete with the US and Japan.

Its case has won some support in the Council of Ministers, which has set up a special task force to discuss further action. The council effectively acknowledged for the first time that telecommunications was too important to be left entirely in the hands of the national monopoly carriers, the PTTs.

Achieving practical progress will not be easy, however. The PTTs are fiercely jealous of their independent roles, while their main suppliers will be reluctant to lose secure home markets. Harmonising technical standards is a labyrinthine process: agreements already reached in Europe have sometimes taken years to translate into products and services and have often been implemented in technically different ways.

But the pressures for change are growing. The investments required to develop major telecommunications systems have risen so steeply that it is increasingly hard, even for the larger European countries, to justify them only for their home market needs. The notion of national self-sufficiency is further undermined by the trend among PTTs to seek to cut their own costs by procuring from several, rival, suppliers.

Retrograde

These pressures lie behind France's quest for European partners. No longer able to support two large telecommunications manufacturers, it recently merged them. In return, its national PTT insisted on a limited opening up of the French market to preserve competition.

Bilateral deals offer a partial solution to this problem and may point towards genuine liberalisation of European telecommunications markets. But there are many challenges still to be faced. Governments must recognise that freer competition may produce casualties in some parts of the European industry, while strengthening others.

More competition is likely to come from successful companies based in North America and Japan. In some quarters, their presence may be viewed as an undesirable threat to indigenous European manufacturers.

There is a risk that such attitudes could fuel pressure to giva local manufacturers preference as European markets are liberalised. That would be a retrograde step. Telecommunications is a world industry. Substituting an EEC "ring fence" for today's patchwork of national barriers would not only blunt the spur of international competition. It could also invite overseas retaliation at a time when tha U.S. market is more open to outsiders than ever before and when Japan is taking cautious steps towards freer trade.

IMF medicine in Yugoslavia

CALL IN the International Monetary Fund doctor early, and its medicine can be milder and the cure quicker. That is the lesson from the many countries which have left it so late to call the IMF in that it has had no choice but to prescribe the economic scalpel. But does it always hold?

Yugoslavia seems an important exception. It asked the IMF in at the start of 1981. Three years later, with rampant inflation threatening its export and debt servicing gains, it is appealing to the fund for another standby programme.

Today, as the Yugoslavs meet IMF officials in Belgrade and their commercial bank creditors in London, and before Yugoslavia takes another course of medicine, they should all ponder whether the original dosage was right.

Manageable

Yugoslav exports to the West have done spendidly this year, up 27 per cent in the first 10 months.

But the main reason for the export success has been the very rapid, IMF-prescribed depreciation of the Yugoslav dinar, down 80 per cent against a basket of Western currencies in the first nine months and still falling. This has fed through into domestic inflation, now a postwar record of around 50 per cent and still accelerating.

The IMF believes that price controls, which it persuaded the Belgrade Government to abandon this summer, distort market forces. So far the Fund is phlegmatic about Yugoslav inflation. It argues that some extra inflation is the inevitable consequence of devaluation, and not totally nnwelcome because, coupled with tight money policy, it is part of the necessary adjustment in rednclng demand.

But some Yugoslav economists think the IMF and the Government have got it seriously wrong, and that inflation will get right out of hand without a return to some direct wage and price controls.

In practice, neither the monetarist nor the administrativa approach to inflation works in Yugoslavia, because it is a hybrid of orthodox capitalism and communism, without the central financial discipline of the former or the central economic controls of the latter.

IMF demand-reducing policies are in a sense only as strong as a country's national bank and monetary instruments, and in Yugoslavia both are weak. Bank credit and money growth have been held, on paper, very tight for the past three years. But Yugoslav companies circumvent this by borrowing off each other, so that a large number of IOUs circulate the country. The result is that demand still outstrips supply and fuels inflation. Direct price controls, on the other hand, have had a very poor record recently, because Yugoslavia is not the relatively centralised economy that it was in, say, the 1960s.

The Yugoslav economy, like ony other, needs a proper balance between freedom and order. It has certainly got the healthy element of freedom in its "self management" system which allows companies to set their own output, product mix, exports, sales, prices and wages.

This gives it a flexibility which the Comecon economies to the East mostly lack. What Yugoslavia lacks is a bit of order—specifically, an end to the accounting ruses by which companies avoid the consequences of failure, to the local barriers that prevent capital and goods flowing freely among the eight republics and provinces and to the duplication of wasteful investments made to satisfy regional sensitivities. Such measures would attack the local monopolies and lack of competition which are the root cause of Yugoslav inflation.

The relatively weak federal government is finding movement in this direction uphill against strong regional opposition. It has had some helpful outside pressure this year, not so much from the IMF, but from the World Bank and, perhaps oddly, from Western commercial banks.

In a sense, then, Yugoslavia's real adjustment only began this year. Its persistent problems do not mean the previous two years were totally wasted or negate the value of early recourse to the IMF. But they do underscore that the fund alone does not have all the remedies for so complex a country.

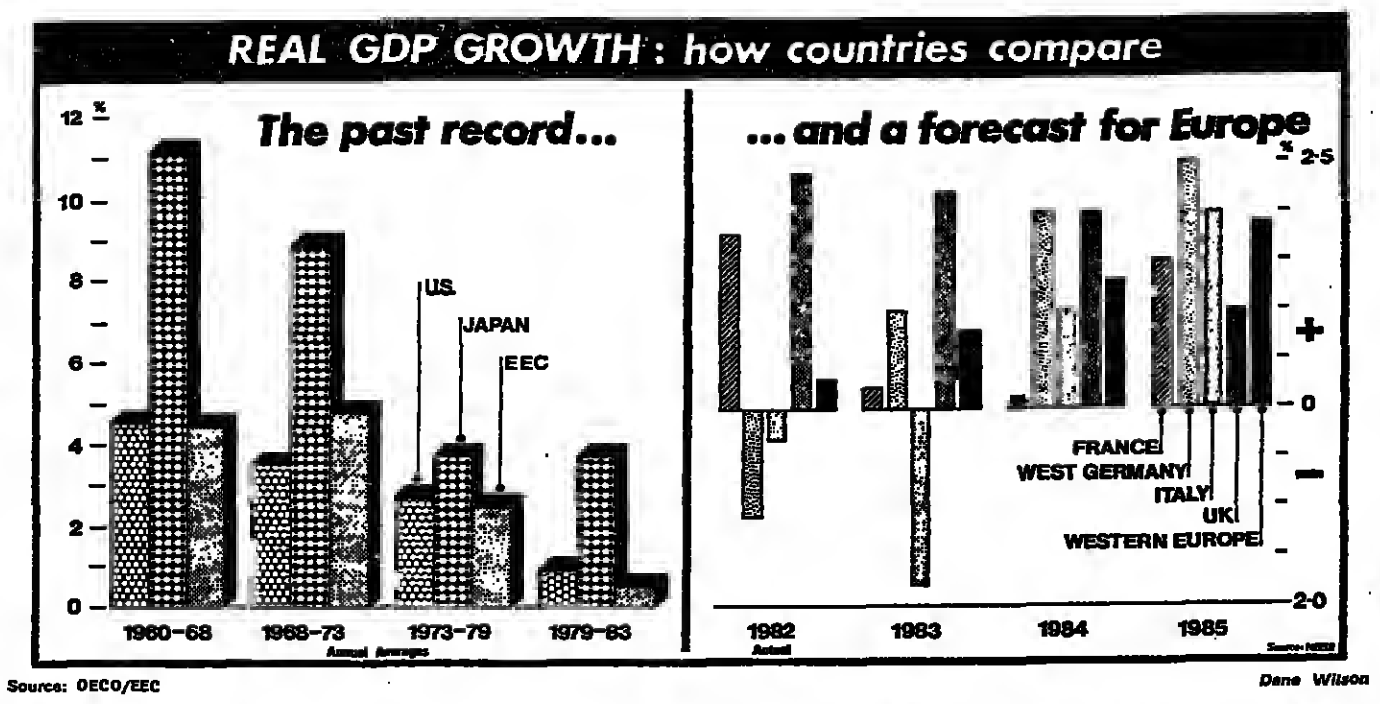
WEST EUROPE'S ECONOMIES

Sink—or swim—together

By Anatole Kaletsky

TOMORROW'S communique from the European summit in Athens will almost certainly refer with satisfaction to the economic recovery which has now begun in much of Europe.

It is less likely to mention, however, that "recovery" in 1984 will see less economic growth than the worst year of *recession* the European Community ever experienced from its foundation up to 1975. Neither will the leaders wish to emphasise the European Commission's latest official forecast, that unemployment will risa in every one of the EEC's 10 member countries during next year's "recovery."



Source: OECO/EEC

Dane Wilson

They will probably also avoid observing that private economists who look beyond 1984 generally see little further improvement in Europe's performance in 1985 and a marked deceleration of growth by 1986.

It is not just because they are professional politicians that Europe's leaders will play down the gloomier aspects of these economic projections. There are two sets of deeper reasons.

Some, like Mrs Margaret Thatcher in Britain and Chancellor Helmut Kohl in West Germany, believe that deliberate attempts to stimulate faster short-term growth are irresponsible. "Quick fixes" would impede, or at least distract attention from the long-term transformation of industrial structures, labour markets and public finances which they believe are essential if prosperity is to be recreated in the years and decades beyond the short term.

Other leaders, such as President Francois Mitterrand of France, still have a yearning for policies of faster growth. But, even though they believe government action to pull Europe out of recession would be desirable, they now seem to accept that it is impossible.

"The economic policies of member states are subject to narrow margins of manoeuvre which reflect burdensome constraints, notably constraints emanating from abroad," the European Commission observed last month in its annual report on the economic state of the community. This stoic attitude is shared by Europe's political leaders.

The Commission's forecast of 1.5 per cent growth in 1984, after a mere 0.5 per cent this year, may be feeble in comparison with the annual growth rates of 4 to 5 per cent achieved by President Ronald Reagan's expansionary policies in the U.S., but "an economic policy analogous to that in the U.S. cannot be adopted by the Community," the Commission firmly asserts.

But are Europe's governments really as impotent as they feel? Are there really no faster-acting macroeconomic policies, on money, budgets and exchange rates which could strengthen the recovery in Europe without undermining the structural microeconomic reforms that will take many years to prodnce their full results?

The answers depend largely on whether governments recognise the challenges and opportunities of managing the European economy as a whole and not just the individual economies of Europe.

For, on the one hand, the interdependence of the national economies, of Europe imposes constraints which have repeatedly thwarted attempts by individual governments to pursue macroeconomic policies inconsistent with those of their neighbours.

These constraints are more binding even on tha biggest European economies, like Germany and France, than they are on the U.S. and Japan. On the other hand, the size of the European economy as a whole and its predominant position in world trade gives European governments far more potential room for manoeuvre than any one of them could hope for, acting on its own.

The obstacles to any further institutionalised cooperation on macroeconomic policy, along the lines of the European Monetary System, may be insuperable at present. But, even without new institutions and formal procedures, there is much that Europeans could achieve, simply by becoming more conscious of the constraints and opportunities they face as a result of belonging to Europe. Consider two examples.

The larger European economies, such as Germany, France and Britain, generate between 20 and 30 per cent of their gross national products from exports. For the smaller countries the export shares are even larger, for example 57 per cent in the Netherlands and 72 per cent in Belgium. Now, over half the exports from all EEC countries go to other parts of Europe. In Germany's case Europe takes 67 per cent of exports. Britain has the lowest proportion of exports to Europe, at 54 per cent, of which 41 per cent are sold to the EEC and 13 per cent to other European conntries.

This means that at least 10 to 15 per cent of the typical European country's economy depends directly on the demand for its exports from, and hence the policies being pursued by, its neighbours.

The most obvious conclusion which follows from this interpenetration between the markets of all the European countries is the one which President Mitterrand initially ignored, to his country's great cost. It is difficult for one European country to grow much more rapidly than the continent as a whole, unless it can capture a larger share of the entire continental market, by becoming more productive or by drastically devaluing its exchange rate.

It is Europe, not the U.S., which dominates world trade movements

What is less frequently observed is that President Mitterrand's experience should have taught Germany the same lesson, in reverse. Having helped thwart France's attempt at reflation by refusing to expand domestic demand in 1981, economic policymakers in Germany shnuld nnt have been surprised when their own economy sank deeper than expected into recession in the latter part nf 1982. France alone accounts for 14 per cent of German exports. Thus, when France was forced to cut its total import volume by 7 per cent between the first half of 1982 and the second, it became far more difficult for Germany to maintain the traditional export-led recovery which had shown signs of developing in the first six months of 1982.

The French decision to deflate in 1982 was by no means the only factor in Germany's disappointing performance last year—exports to Opec members over-indebted Third World countries and the Communist world all suffered even more than the trade with France.

The fact remains, however, that the fall in exports to France alone reduced Germany's GNP by about 1.2 per cent between the first half of 1982 and 1983. This was about eqnal to Germany's loss of exports to the whole of Opec. Another indication of the overwhelming importance to Germany of trade with Europe — just three countries, Britain, France and the Netherlands, buy more from Germany than Opec, all other developing countries, the Communist bloc and the U.S., put together.

The German Government is still pursuing a broadly deflationary domestic policy this year and is still hoping for a recovery in 1984 led by exports. With world trade as a whole expected to grow by about 3½ per cent next year, the German Government is expecting export growth of the sama order. If this is not achieved, as a result of unexpected sluggishness in the other European countries which are Germany's main markets, Germany's own growth rate will fall short of the 2 to 2.5 per cent range predicted by most forecasters. This in turn will dampen export hopes and domestic growth rates in countries like France and Italy whose weak currencies give them no alternative to export-led growth.

Something less ambitious than full-scale co-ordination of macroeconomic policies would have been sufficient to improve the record of government economic management in the past few years. Even if European governments had merely consulted each other about their plans for domestic economic policy and reflected on their degree of inter-dependence, it might have been possible to moderate the damage caused by the reflationary fiasco in France or Germany's vain attempt to pursue export-led growth just as it had successfully persuaded its main trading partners to deflate their domestic economies.

The relentless rise of the U.S. dollar over the past three years provides a second example of how a European perspective might have prodnced better economic policies in several European countries.

The Europeans' attempts to defend their currencies against the rising dollar have been among tha biggest factors restraining domestic policies and closing off options for faster economic recovery. In countries like the UK and Germany in particular, where fiscal stimulus was ruled out for political or long-term budgetary reasons, the hopes that reductions in budget deficits and inflation would promote growth through dramatic reductions in interest rates were disappointed. In part, at least, this was because governments and central banks chose to maintain tight monetary conditions.

The alternative of allowing a devaluation would make a country's import prices rise and aggravate its domestic inflation. Even if it was linked into a semi-fixed exchange rate against its main trading partners, as in the EMS, a fall in the whole system against the dollar would raise the prices of oil and other raw materials, which are denominated in dollars.

These concerns are certainly understandable for a singla European country. But they are much less persuasiva for Europe as a whole. As already mentioned, it ie Europe, not the U.S., which dominates world trade movements. In 1980, tha EEC accounted for 24 per cent of total worldwide imports (excluding trade within the Community). The U.S. bought only 15 per cent of the rest of the world's goods (and Japan 9 per cent).

What this means is that market conditions in Europe should actually have a bigger impact on international import prices than conditions in the U.S. Even though many prices may be set in dollars, it will generally be supply and demand in the world market as a whole which these prices ultimately reflect.

Over the past three years, this is just what has been happening to many European import prices. Britain's experience is instructive: Although the pound has fallen by nearly 40 per cent against the dollar, it has declined by only 6 per cent against the European currencies—and fears of rapid inflation fuelled by the dollar-based import prices have not materialised.

The fall in the price of oil earlier this year could have provided the clinching evidence against the "dollar illusion" that dollar-denominated prices were somehow sacrosanct and that domestic sacrifices were worthwhile to limit the rise of the dollar.

Tha official price of oil fell from $34 a barrel, where it stabilised in October 1981, to $29 in March this year—a decline of 17.2 per cent. In the same period the dollar rose against the Ecu (a representative "cocktail" of all the EEC's currencies) by 17.5 per cent. Thus the fall in the dollar price of oil exactly offset the dollar's rise against the Ecu.

European governments may never be persuaded by evidence of this kind to recognise both their interdependence and their potential ability to provide the world with economic leadership. So far there is no sign, for instance, of a European initiative to offer Opec oil purchase contracts denominated in Ecus instead of dollars.

What can be said with confidence, however, is that Europe is still, despite its long run problems, the greatest single influence on the international trading economy—so a healthy and lasting world economic recovery will simply be impossible unless Europe joins in more convincingly soon.

Men & Matters

Star struck

The decision on whether to make today what could be the first £1bn takeover bid in the history of the London Stock Exchange has been taken in the last few days in an unassuming building in Munich's Koniginstrasse.

That is, of course, the headquarters of Allianz Versicherungs AG, West Germany's biggest (and the world's ninth) insurance group, the opponent of BAT in the extravagant battle for control of the Eagle Star insurance group.

If no inkling of that choice has emerged in West Germany, and if the blood and thunder of the fight has caused notably less excitement there than in Britain, then that is entirely in character. For Allienz is not only one of Germany's most powerful financial institutions, it is also nne of the most discreet.

Allianz is above all identified with Wolfgang Schieren, its 56-year-old chairman. The adjectives used to describe him during his 11 years in the job vary little: "all powerful", "tough" and "technocratic", are three of the most common. He is an avowed cost cutter, who lopped off a quarter of Allianz's staff within fnur years of taking office to boost profitability.

The next stage in his strategy was international expansion: acquisition of two U.S. life insurance companies in 1979, then the June, 1981 "dawn raid" which netted 28 per cent of Eagle Star, and now e full bid of £900m with the chance of more to come this morning.

Allianz is a key player in that typically German system of cross shareholdings and alliances between leading financial institutions and industrial companies which cements the country's economic establishment.

At home in Munich, it has a reciprocated 25 per cent shareholding in Muenchener Rueckversicherungs, the leading re-insurance company.

"Our Kevin? He's wintering in Luxembourg this year"

Schieren, himself, is on the supervisory board of many of the companies in which Allianz has a financial interest, including the electrical group Siemens, and the steel giant Thyssen. They, in turn, are represented nn the board of Allianz.

Schieren now has the pleasant option of withdrawing from the Eagle Star contest, in the knowledge that a BAT victory would still leave him with a £150m profit on the original 28 per cent stake.

But should the British group "go German", it would have the consolation, at least, of being in distinguished company.

Sotheby's lot

Alfred Taubman, the U.S. property millionaire who snatched Sotheby's from the clutches of two lesa well-endowed compatriots earlier this year, is taking a close personal interest in his prize.

Taubman has handed day-to-day running of the auction house to former accountant David Ward, but has been making regular trips and telephone calls to London from Michigan.

On one trip, Sotheby's staff were surprised to find him scrambling about on the roof of the company's rambling Bond Street premises. An architect by profession, Teubman was taking a close look at the structure of the building—and may suggest some modifications, though Sotheby's experts cherish the privacy their cramped accommodation gives them.

Taubman has also been helping turnover with phone calls suggesting potential clients for particular art works or possible sellers.

It will be some time, though, before Taubman's plans to take Sotheby's into the financial and insurance fields are known. Nothing has been worked out in detail yet, and any ventures will remain subordinate to the basic auction business.

Taubman appears to be ready to take a 10-year view, and, without the pressure of a stock market listing, the company can afford the odd bad year.

But having forked out £83m for the business, Taubman is clearly ensuring ha gets a reasonable return.

Daimler's choice

Management appointments at Daimler-Benz usually go through as smoothly as a gear change in one of tha company's Mercedes. Not so this time over the choice of a new chief executive to succeed Dr Gerhard Prinz, who died in October.

Dr Werner Breitschwerdt, head of Daimler's research and development division, had the key support on the supervisory board of Deutsche Bank, the company's biggest single shareholder. But the labour representatives on the board preferred Dr Edzard Reuter, finance chief and a member of the Social Democrat Party.

What's more, word of tha dispute leaked out embarrassingly in advance of last week's board meeting.

In the event, Breitschwerdt, aged 56, emerged on top. But the labour side is understood to have stuck to its guns and voted against. Tha exact voting figure is not being given.

It is a disappointing start for Breitschwerdt, who is a local man (born in Stuttgart where Daimler-Benz has its hq) and who has devoted his life to the company. He came to Daimler in 1953 and has been on the executive board since 1977.

Among his achievements are the development of the modern Mercedes cars, including the new compact model with which Daimler hopes to trounce close competitors like BMW.

His friends say he is not just a technician but can keep together a good team. That ability will be tested right away, with Reuter at his elbow on the seven-member executive board and, for the moment at least, with labour miffed that "their man" did not make it.

Oil change

As every motor show bears witness, the top end of the car market has never had it so good.

The demand for luxury customised cara continues to grow, straining the ingenuity of those who cater for extravagant individuality.

What can you add to a £100,000 Mercedes that already has bullet-proofing, cocktail bar, video, TV, hi-fi, refrigerator, and satellite communications as well as real ruby ignition lights nn the dashboard?

Mike L'Havre, of London's Chameleon Cars, thinks he knows what could squeeze another few thousand pounds out of a customer. He is seeking "a team of modern day Michelangelos" to paint a "masterpieca in oils" on the roof lining as another optional extra.

Observer

UK INSTITUTIONAL INVESTMENT

The £30bn property conundrum

By John Plender

ONE OF the characteristic sounds of a British bull market is the tramp of institutional feet in pursuit of a dwindling supply of increasingly expensive property. This has largely been absent over the past 12 months while equities and gilts have boomed; but suddenly there is a hint of something in the air, if not underfoot.

After one of the most savage declines in recent memory, the property share market has bounced smartly off the bottom. Agents are talking of 1984 as the year when rents, especially in the retail sector, could put on a sharp recovery. The heady atmosphere has now reached the new issue market: London and Edinburgh Trust, a developer that derives most of its income from property trading rather than higher quality rental income, was offered for sale last week at a minimum tender price equivalent to nearly double its underlying book net asset value and a very fanciful multiple of earnings.

The argument for property as a hedge against inflation has also gained a second wind, with many forecasters—Mr Nigel Lawson dissenting — claiming that inflation has passed its cyclical low point this year.

A tenants' market —though agents might not say so

The problem is to reconcile this with whet is happening in the commercial property market itself. In much of the country a tenants' market prevails, though many agents choose not to broadcast the fact. For the first time since the war there is no longer e sustained demand for shops, offices and industrial premises.

There is plenty of anecdotal evidence that the terms of leases have been shifting in favour of tenants. Potential occupants are demanding better design and service installations in buildings; landlords are offering substantial rent concessions to new tenants and in some cases taking over their existing leases to induce them to move.

Equally worrying for the insurance companies and pension funds, which together have more than £30bn invested in property, is the trend in rents. The latest Investors Chronicle Hillier Parker rent index suggests that rents on prime property in Britain have fallen by 1½ per cent in real terms over the past six months—a statistic that flies in the face of most expectations. So what is going on?

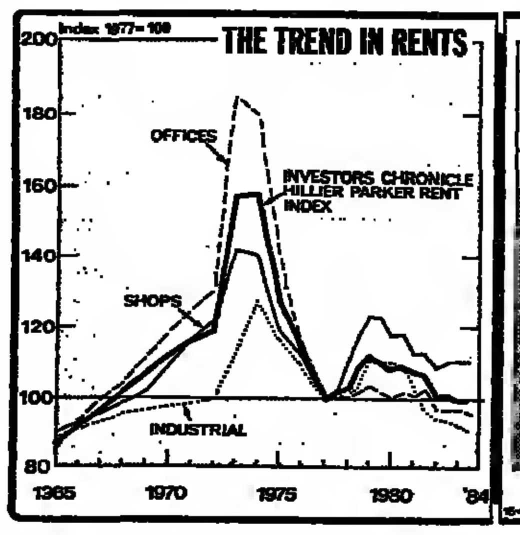
No property index can give more than rough guidance since property is not a uniform commodity. But the Investors Chronicle Hillier Parker index does point to an interesting development in the relationship between property and the wider economic picture.

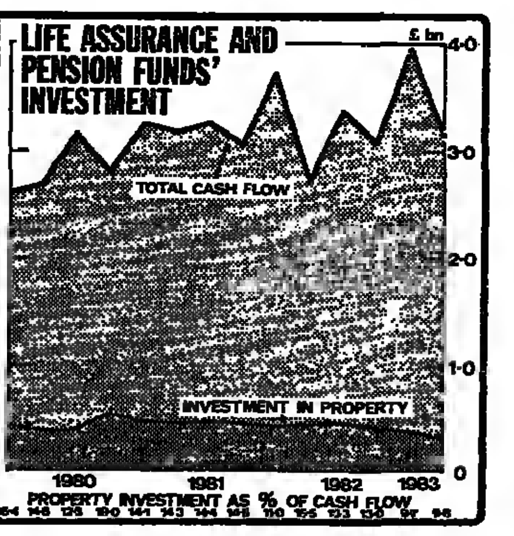
When rents are translated into real terms (see chart) the precise correlation between rents and inflation that many tended to assume in the past scarcely exists. Commercial property is seen for what it really is: a cyclical investment which, at least in the 1970s, has tended to take its cue from events in the real economy.

Anyone who invested in the components of the index in any year since 1969 would have suffered a fall in real income, with the single exception of an investment made in 1977. This would be showing nil growth, but not a real loss. If the index is at all representative, the rise in property values over the period has come entirely from capital values, reflecting the weight of institutional money pouring into the market.

What is strikingly new in the chart is that the behaviour of real rents appears to have changed in the present economic cycle. In the upturn of 1972-73 rents rose sharply, only to collapse in the Opec-induced recession that followed. Milder recovery in 1977-79 was mirrored by a similarly modest increase in real rents, which peaked out at much the same time as gross domestic product. This time round, however, the recovery has already been going for 2½ years, with the impetus coming mainly from consumer spending. Yet even shop rents in the index are up only 0.4 per cent in real terms since their cyclical low point in early 1982.

Note, too, that the index is biased towards optimism since it only covers prime property. In addition Hillier Parker makes changes in the property in the index of shop rents to reflect the best rent it knows of in a given high street or area.





None of this suggests that the forecasts of rising shop rents will prove incorrect (though it is surprising how many agents seem to be uniformly bullish at every stage of the cycle). But it does indicate that the institutions will find it harder to generate growth in property income in a market that is no longer uniformly constrained by a lack of supply. Why, then, were they still pumping nearly £700m into property in the first half of this year? And why have prime yields, which reflect the income return on the capital value of the property, remained relatively stable?

To take the second question first, the number of transactions that occurs in prime property is fairly small. The less high quality investments that make up the bulk of institutional portfolios have seen falls in capital value.

Some funds continue to buy because they feel they are underweight in property after the big rise in value in the equity and gilt side of their portfolios. But the chart does indicate thet the flow of cash into property started to slow markedly this year. Property commitments are long term: it takes time for a change in sentiment to affect the statistics.

A further reason for the gentleness of the decline in net cash flowing into property could be that some funds are having difficulty in reducing their commitments. Much publicity has been given to the problems of pension fund property unit trusts in confronting withdrawals both last year and this. The insurance companies' managed funds have also had some difficulty. Earlier this year s tremor ran through the market when it emerged that the British Steel pension fund was seeking to redeem units in Legal and General's managed property fund. The two parties agreed that the withdrawal should be phased over a period. Other investors in managed funds heve found that encashment can be subject to delay.

There has, then, been a liquidity crunch in the property market—but one that has gone largely unnoticed. This is because few benks heve been involved, which is an important difference when comparisons are made with the crash of 1974-75. This time the insurance companies and pension funds have been in the front line. As a leading chartered surveyor, Mr Norman Bowie, recently pointed out in a speech to the City branch of the Royal Institution of Chartered Surveyors, a combination of sheer size and lack of accountability has allowed these funds to ride the crisis without attention being drawn to their losses. Where they have overpaid for property, pensioners and policy-holders will pay the piper.

That is not to say that there has been no propping up and baling out. There is speculation in the property market that where banks and insurance companies have discretion over pension fund clients' investment policy, they may have increased the allocation of that cash to property funds. Trustees are not alweys aware of the potential conflict of interest that can arise if, for example, a merchant hank runs a property unit trust as well as managing institutional funds.

Since the British Steel pension fund move leaked out, however, there has been no comparable worry for the market. So the autumn jump in property share prices probably reflected a feeling that the worst was not only discounted but largely over. And now the property valuers are also doing their best to help with their own characteristic brand of good news.

In the prospectus of London and Edinburgh Trust, for example, chartered surveyors Richard Ellis put an open market value of £22m on the company's joint development of Billingsgate in the City in its present early and unlet state and a value of £83.6m on completion and letting. There is little doubt that the developers have done a remarkable deal in acquiring a third of this scheme at minimal risk: County Bank and Chase Manhattan have led a syndicate of banks offering £47.5m of non-recourse finance, an American-style deal whereby the developers have only limited obligations to the banks if all goes wrong. But is there really an open market in buildings that come in £80m chunks?

It is noticeable, too, that Richard Ellis has spiced the usually dry phraseology of the valuer's report with the odd glowing tribute to the management. The valuation is accompanied by a set of comments—some full of praise—on developments that London and Edinburgh is managing for a fee. Other signs of bullishness have been the recent willingness of some banks to advance more than the traditional two-thirds of value on individual properties.

There is always money to be made, even in a market suffering from over-supply. There are always pockets of growth as, for example, in offices in the better parts of the City at present, even if the wider picture is less attractive. Yet all the figures emerging from agents and stockbrokers on the supply of space point inescapably to the conclusion that many developers heve not tailored their activity to realistic assumptions ebout demand in Britain's modestly recovering economy. So the question remains: have the investment institutions really adjusted their sights to a much freer market than they have been used to for three and a half decades? Can e market driven by weight of money alone be healthy?

A liquidity crunch that has gone largely unnoticed

One of the messages in the charts on this page is thet property has been a growth investment and a hedge against inflation in recent years mainly because the chief buyers of real estate, the institutions, believe it to be so. In due course we shall find out whether money illusion is as prevalent in periods of disinflation as inflation.

Lombard

Time to say No on EEC levies

By Samuel Brittan

IF THERE was ever one issue on which the British Government should have tried to engineer its own defeat it was on the Labour Amendment to a motion on the EEC Budget to add that the House "believes that the own resources of the Community should not be increased." Many Conservative MPs wanted to support the Opposition, but all but seven were deterred by Whips from doing so.

Anyone concerned with the vast waste of resources which the Common Agricultural Policy has become should have voted for the amendment against the Foreign Secretary, Sir Geoffrey Howe, and Sir Geoffrey should have gloried in the "embarrassment" in the spirit of U.S. Presidents who plead Congressional pressure.

At the moment the Community receives, apart from customs duties and the proceeds of agricultural levies, direct contributions known as "own resources." These contributions are stated to be equivalent to a theoretical 1 per cent VAT rate—not VAT receipts; actual UK payments of £1.554bn, under this head in 1982 were equivalent to 11.2 per cent of actual VAT receipts. Taking all receipts and payments together, the UK made net payments in 1982 of £1.625bn, before refund and £0.606bn, after refund.

The great illusion of the whole discussion is to equate CAP costs with budgetary contributions. The Commission was not wrong to take into account wider costs and benefits; but being an essentially producer-oriented protectionist organisation it concentrated on the gains of farmers rather than the losses of consumers or the misallocation of resources which could have been more profitably used in other activities.

A more comprehensive Institute for Fiscal Studies estimate suggests that the total net cost for the UK is around 6.3bn ECUs or £3.6bn, far in excess of the conventional budgetary calculation. The loss for the whole Community is 13.9bn ECUs or almost £8bn. Nearly all countries, including France, are net losers.

Short of leaving the CAP, for which there is an excellent case, the best way of reducing this payment of tribute money is to keep the level of support prices as low as possible. The Commission has forecast that EEC farmers will obtain no increase this year because of budgetary constraints. We should not underestimate the power of the agricultural ministers for squeezing blood out of a stone.

As Peter Lilley put it in a distinguished maiden speech in the Commons: "I find the Government's conditions slightly puzzling. They say that we might agree to an increase in own resources if the Community gets its act together and controls the agricultural policy. I find that a little hard to justify, because the matter is simple. The Community wants extra money to spend on agriculture. If we give it the extra money, it will spend the bulk on agriculture. If we do not give it the money, it will not be able to spend it on agriculture and will be obliged to reform the Common Agricultural Policy. If it does that we shall not need to give it any more money. *Quod erat demonstrandum.*"

The alternative is to rely on the plan of the French Finance Minister, Jacques Delors, for advance limits on agricultural spending to be decided by Finance as well as Agricultural Ministers. But as the domestic experience of every Finance Minister shows, these limits are not written in stone, and if resources are available, the combined agricultural and "Euro" lobbies will find a way of breaking the limits.

The "Euro" lobby has had a remarkable success in insisting that people who are not enamoured of the agriculture and steel cartels or the EMS are Philistine, parochial cost-counting "little men," of no vision equally unappreciative of French food or the cause of a European foreign policy. It is time to call their bluff and insist that producer cartels do nothing to help world peace; and that there is no higher reason to suggest an enlargement of Community activities to extend the butter mountain and the wine lakes to the industrial and technological spheres.

If there is any issue on which Mrs. Thatcher's distrust of the establishment is well founded it is that of the EEC. But she needs to shift from the narrow budgetary issues to the need to starve the absurd CAP of all fresh funds from whatever sources and however contributed.

Letters to the Editor

Time for a wide review of civil aviation policy

From Sir David Nicolson, MEP

Sir,—I was interested to read Sir Peter Masefield's letter (November 25) and I agree with much of what he says. The privatisation of British Airways raises far more important issues than the mere financial method by which it is done. The time has come for a wider review of civil aviation policy including the balance of the industry and the development of our airports. But British Airways should not be criticised merely because it is big. In fact its size has enabled it to become a leading world airline and contributor to our balance of payments. What is needed is the freedom of opportunity for efficient smaller airlines to grow as companies can in other industries.

We may wish to privatise and create free enterprise competition, but we have to remember that at present the market is controlled by Governments who negotiate bilateral agreements on frequencies and approve routes and create cartels. Do we want to continue this kind of regulation? Can we foster growth when companies have little control over their markets?

To influence change in this we should develop the use of regional airports more in the future, and we should press our partners in the European Community to consider the question of o single European airspace which would enable us to develop a route structure comparable to that of the United States. This step incidentally would probably permit a reduction of airfares by a third.

Another fact to ponder over in the debate on size and structure is that the major European airlines, with the exception of the British, are organised into two groups, Atlas and KSSU, which use common equipment, have common stores and maintenance, and in fact rationalise everything except marketing and operations under their different colours. They are almost in effect two big airlines to compete with.

Had we played our cards differently in the past we might have negotiated for the Rolls-Royce engine to be in the European Airbus in exchange for ordering this plane, and we could have joined in. Of course this raises the whole issue of how serious we are about collaboration in the European Community in aviation, and whether the pressure of economic events may influence the integration of the industry in this direction.

I must take issue with Sir Peter when he says that the merger of BEA and BOAC was unwise. I think this is the voice of an old BEA man, and there was considerable resistance in that quarter to the merger. Communications between the two state airlines were not always too good, and old rivalries made the merger difficult. Bnt the overlapping of facilities and services was ridiculous prior to the merger; for example we found there were six British airline offices in Paris, three of them BEA and three BOAC, and they were not communicating or selling each others product. We were able to reduce these to two in total. Furthermore having rationalised marketing throughout the world and eliminated such anomalies, ticket sales rose 40 per cent with the same number of employees. In those days I may add the borrowings were under £200m. It was of course impossible to start the staff reduction exercise until the merged management was in place, and what has happened since under Lord King's leadership should really be regarded as phase 2 of a 10 years exercise to sort out the public aviation sector.

We are getting in much better shape now to plan the next phase, but in this very different international, regulated, and capital intensive industry we do need a proper blueprint for the future with longer term objectives. You can't just privatise British Airways on its own without studying the wider issues. One of these issues is the level of our future commitment to Europe, but that applies in many other areas as well.

(Sir) David Nicolson,
(First Chairman of British Airways).
15, Hill Street,
W.1.

Range of pay settlements

From the Director of Social Affairs, Confederation of British Industry.

Sir,—In reporting (November 21) findings by Incomes Data Services of pay settlements ranging between 2.5 per cent and 8.5 per cent you were wrong to suggest that the IDS views "contrast sharply" with those of the CBI. For some while now, our pay databank has revealed e considerable dispersion of settlements—many, incidentally, below the 2.5 per cent level—as individual agreements have come more closely to reflect the particular circumstances of the company, or unit concerned. While referring to an average level of settlements (now below 5½ per cent), we too have been et pains to stress the spread thet lies behind an sverage and to emphasise that the concept of a "going rate" remains far less important than in the recent past.

R. H. Price.
103, New Oxford Street, WC1.

Margins at Reuters

From the Managing Director and Chief Executive, Reuters.

Sir,—The Lex column on *November 28* is quite wrong in its guess about the relative sizes of Reuters margins in the oil and foreign exchange markets. Our margins are no greater for the Reuter Monitor Oil Service than they are for the Reuter Monitor Money Rates Service.

Lex implies that Reuters has little or no competition in the oil market and that our pricing takes advantage of this. In fact, competition is at least as active, if not more so, in the oil market as in the money markets. It is incorrect to impute to Reuters a monopolistic pricing policy in any market.

Far from being price-insensitive, as Lex also suggests, Reuter Monitor subscribers are as conscious of value for money as any successful business operator should be.

Lex's comment that our general news service is unprofitable igoores the fact that news is an essentiel ingredient to our services to the business community which provides a rapidly growing end affluent market for Reuters traditional product. The impressive retrieval statistics for news and sports pages on the Reuter Monitor system are a measure of their increasing popularity.

Glen Renfrew.
85, Fleet Street, EC4.

The outlook for electronics

From the Senior Industrial Economist, Cambridge Econometrics.

Sir,—Your November 14 report of our study of the electrical engineering industry has prompted letters from Dr Mackintosh (November 18) and Mr Dennis (November 19). The study examined a whole industry, of which the electronics sector, on which the letters concentrate, is only a part. This is a sector for which forecasts of unlimited growth are legion and our scepticism seems to have touched a nerve. In Cambridge we are not only exposed to the pessimistic winds of Fenland economics, we are also in the middle of a major centre of the current explosion in U.K. electronics. In such an environment, the rapid growth in the market and the impact on product innovation and process technology that Dr Mackintosh emphasises are obvious.

What is less clear is the implications for industry output in the UK. The technologies are in a state of flux and it is a high risk sector. Not long ago knowledgeable industry figures were forecasting mega-sales for Josephson junctions and bubble memories. The vagaries of consumer tastes, industry standards, government support and management capability add to the uncertainty. To succeed requires getting all of these elements right. Getting them wrong will produce a worst case scenario that is much worse than Dr Mackintosh envisages.

Clearly some large British companies in this field are also cautious about the odds, since they are holding onto their cash rather than leaping into the market. But suppose that British companies were successful; cost, productivity and flexibility considerations often suggest that it might be more profitable for them to locate outside the UK. This has happened in this sector before and we are not yet convinced that the traditional problems have been solved. The role we gave to military procurement, which offended Mr Dennis, reflects not only the growing proportion of the procurement budget which goes on electronics, but the MoD's penchant for buying British. The New York Stock Exchange has belatedly recognised the downside risk in high tech and we think it important that our clients are also aware of it, particularly in the light of the hyperbole characteristic of this sector.

There will probably be some spectacular UK successes, but there will also be failures and foreign sourcing. Averaged out over the industry, this produces the modest but useful contribution to UK output that we forecast.

Linda Hesselman,
PO Box 114,
21, Andrew's Street, Cambridge.

FINANCIAL TIMES

Monday December 5 1983

Terry Byland on Wall Street

A cloudy forecast for banks

BANKING STOCKS on Wall Street have remained subdued over the past fortnight, which has seen wide swings in the fortunes of the industrial stock sectors.

The problems of the $135bn loans to the less developed countries (LDCs) continue to bear down on banking stocks, which are still trading at substantial discounts to industrial issues.

There is little sign yet that investors' perceptions of the outlook for the money-centre banks has changed, although the past month has seen support for the regional bank issues.

The banking majors have traditionally traded at a discount to the Standard and Poor's 500 stock index, but current discounts are substantially greater than previously. Price earnings ratios for Chase Manhattan, Citicorp and Manufacturers Hanover are at 39 per cent, 48 per cent and 40 per cent discounts respectively to the S&P index.

With industrial stocks looking more bullish than for some time and market indices at or near new peaks, prospects for closing up these discounts are not particularly bright. Citicorp is now 24 per cent below its 12-month peak, Chase 26 per cent off and Manufacturers Hanover 25 per cent down.

Weakness in the major banks stocks has persisted despite the success in rearranging Brazil's bank debts and the belief among analysts that the crisis point in LDC debt may have been passed.

"The time to worry about defaults was a year ago," commented Mr Thomas Hanley of Salomon Brothers, voicing a widely held view.

Wall Street's coolness towards banking stocks now seems to reflect doubts over the banks' handling of their problem loans rather than the scale of the loans themselves.

Mr George Salem of Becker Paribas, addressing himself to the question "Are banking stocks cheap?", answers "No," and for one reason, above all others.

Loan loss reserves of the banks, he warns, are not large enough for any required provisions or write-offs should the "worst case" present itself from the LDC battlefront. That casts doubt over the banks' reported earnings figures, and while investors' views are based on such shifting sands, it is hard to see how stock prices can make progress.

To approach the same question from another angle, doubts over the "earnings" side of the sector's price/earnings ratios lie behind the low ratings of the banking stocks.

Citicorp is on a p/e of 8 and Chase around 4 at present, both compared with an average p/e of 11.2 on the S&P 500. Price/earnings analysis performs poorly in a world of high uncertainty and liberal accounting, observes Mr Salem.

Even setting aside the vexed question of accounting for problem loans, the outlook for banking stocks appears clouded.

The results for the third quarter at the main banking houses drew only grudging approval from the brokerage analysts. Loan volume growth was regarded as unexciting and interest margins narrowed. The outcome was a median decline of 3 per cent in share earnings among the 50 largest banks.

For 1984, *projections* for bank earnings range from a 5 per cent overall gain to a 5 per cent overall fall, and this must compete with an expected increase of around 20 per cent in earnings of the S&P 500 industrial stocks.

However, the picture brightens a little when the regional bank stocks are introduced to the scene. The past month has brought somewhat of a division between stock performances by the money-centre houses and the regional banks.

Now that the domestic energy loans appear to be safely behind them, regional bank stocks are expected to continue to benefit from their place on the domestic industrial scene. But investors show little sign of changing their minds about the big names.

Consortium plans £40m bid for Dunlop Holdings

BY RAY MAUGHAN IN LONDON

A FORMER director of Dunlop Holdings is putting together a consortium of institutional investors to bid for the troubled tyre and rubber products company.

Mr John Simon, who was joint managing director of the group until his sudden resignation over 10 years ago, said yesterday that in watching Dunlop's subsequent progress he had become alarmed by its heavy debts and the sale of its core European tyre interests to Sumitomo of Japan, and had now found backers to inject £40m ($58.4m) into the group.

Dunlop itself yesterday described the scheme as "bizarre", but Mr Simon said he had joined forces with Sarasin International Securities, a Swiss banking group, and two unnamed U.S. investors to put up £30m for the proposal. Other interested subscribers had pledged enough support to bring the package up to £40m.

Mr Michael Richardson, the former deputy chairman of Henry Ansbacher, the City of London merchant bank, and now acting for Sarasin, expects to meet the London Stock Exchange soon to discuss arrangements for listing the consortium company.

He said yesterday: "In very broad terms, we shall offer new shares on a one-for-one basis to existing shareholders who would probably end up with, say, two thirds of the enlarged share capital." The £40m would represent new capital to Dunlop.

Mr Richardson and Mr Simon have seen all the London institutional shareholders of Dunlop and, with small exceptions, say they have received an encouraging level of support. London institutions' funds, however, now account for only about 5 per cent of Dunlop's shares.

The consortium members are to register their interests shortly in a new company which, it is intended, will make a share offer to existing equity holders. Mr Simon was adamant that the consortium would not proceed if it had to fight a contested bid battle and the views of Dunlop's major Malaysian shareholders are expected to be crucial to the outcome.

Pegi Malaysia, a quoted company, holds 26.6 per cent of Dunlop Holdings. Its two recently appointed representatives to the board, Mr Ghafar Baba and Mr Eng Chin Ah, are understood to be taking an increasing role in the group's affairs.

Pegi has a deal with Dunlop to buy a 25½ per cent stake in Dunlop Malaysian Industries for £35m and to pay a further £43m for Dunlop Estates, its plantation interests in Malaya. But Schroder Wagg, financial adviser to Dunlop, has pointed out that initial payments on these deals have already passed several limits.

It is understood that other Malaysian interests, represented in the UK by N. M. Rothschild, have approached Dunlop with alternative proposals for the sale of these two Malaysian companies at revised prices. But the consortium believes that Pegi may be willing to back Mr Simon's proposals.

Dunlop has been badly burdened by borrowings

Options for U.S. on Syria run out

EVER SINCE 239 U.S. marines were killed by a lorry bomb on October 23, Lebanese have waited to see what form U.S. retaliation would take. Despite Israeli and French air attacks against Islamic fundamentalists, it has been widely assumed that Syria was the guiding brain behind the attacks.

But yesterday's air attacks by U.S. aircraft against Syrian anti-aircraft positions were not motivated merely by revenge. In the past month it has become clear that Syria had politically checkmated President Reagan in Lebanon and his only course was to accept that or to launch a military counter-attack in alliance with Israel.

That is a return to the policy pursued by Mr Alexander Haig, the former U.S. Secretary of State, which led to the Israeli invasion on June 6 last year. The tentative alliance between Washington and the Lebanese Government has been abandoned for the moment.

It is unclear how far Washington is prepared to go. Yesterday's air raids will be seen by Syrians and Lebanese as a setback for the U.S. fleet cruising off the Lebanese coast.

The objective of the new Israeli-American alliance in Lebanon is clearly to expel the Syrians from the country or at least to diminish their influence greatly. That will not be easy. It also carries a risk of further escalation, since most of Syria's anti-aircraft missile batteries of SAM-5 and SAM-9 are on Syrian territory.

There are no missile batteries in Lebanon, say diplomats to Beirut. The 40,000-strong Syrian army there relies upon conventional multi-barrel anti-aircraft guns or shoulder-fired SAM-7 (Strela) missiles. To reduce Syrian anti-aircraft capacity, the Americans or the Israelis will have to strike against Syrian territory.

Patrick Cockburn in Beirut examines how the U.S.-Israeli co-operation agreement will affect Syria's military presence in Lebanon

A ground attack looks less likely, although the option of trying to clear the ridge line around Beirut has been examined by the Americans. It is here, notably at Aley, that the Druze guns can reach the 1,500 marines at the airport. But Beirut is also well within the range of Syrian and Druze artillery in the Metin area further inland.

The risks of President Reagan's course have been underlined by the loss of two aircraft and one pilot. Together with the shooting down of an Israeli Kfir bomber two weeks ago, this is evidence that the Soviet Union has much improved Syrian anti-aircraft capacity.

The difficulty for the Americans is that they have no political options left in Lebanon. Ever since the beginning of the year, Syria has been strengthening its position. President Assad allied himself with the powerful Druze sects in the mountains above Beirut and created an effective alliance opposed to President Gemayel.

The turning point was the destruction of the American Embassy in the Lebanese capital in April. "Suddenly you could see that the protectors of the Lebanese Government could not even protect themselves," a Lebanese said last week.

President Gemayel grew steadily weaker. The Christian militia lost the war in the Chouf in September and Syria was then commanded by Druze and Syrian guns.

At the Geneva National Reconciliation Conference, a new recognition of Syrian authority was apparent. Israel was to be asked to leave and the May 7 Lebanese-Israeli agreement was to be frozen.

That was unacceptable to President Reagan. Once he had rejected coming to an understanding with Syria or pulling out of Lebanon, his only chance was to try to change the military balance.

THE LEX COLUMN

Re-siting the City shelters

The popularity of long-term financial assets has been growing rapidly among private individuals, at a time when the institutions that service this growth market are facing a period of rapid change. Until fairly recently, most have been sheltered from over-rigorous competition through segregation in different niches defined by a tax or regulatory framework. However, that protection seems to be fading.

Not only is competition within individual sectors growing, but innovative companies have been highly successful in combining the tax and other benefits of two or more traditional sectors to sharpen their attack on the market. The authorities have, up to now, adopted a *laissez-faire* approach to such developments, while the rewriting of the London Stock Exchange rule book adds another layer of opportunity for established players as well as new entrants.

Shelter

The classic innovation on these lines of the last decade has been the combination of life assurance with the unit trust movement. As an investment medium for a private individual, life assurance is doubly tax-efficient. On 10-year contracts premiums can be grossed up by 15 *per cent*, while the life assurance companies are usually able to shelter both annual single premiums from the bulk of capital gains and income tax liability as the fund grows.

By linking with the unit trust movement, the innovators, such as Hambro Life, Abbey Life and so on, have been able to present a product whose performance is clearly related to the market. By contrast, the promoters of the established funds, which rely on obscure actuarial calculations and mysterious bonuses for their appeal, have been losing significant market share.

This growth route is being copied by the "commercial" friendly society – an investment beast that has sprung from almost total obscurity in the last three years. Married people, or those with dependants, can collect the 15 per cent uplift on premiums from the Inland Revenue to put in a fund that is *totally* tax exempt over a 10-year period. The premiums put into such arrangements have probably doubled in the last year to around the £60m mark, and many of the societies are channelling the permitted 50 per cent of premiums into unit trusts.

The new entrants into this particular market include societies sponsored by the Automobile Association and Abbey Life, a development which exemplifies the way financial service companies are now expanding to encompass tax breaks designed to channel investment in a specific direction.

Other long-established niches are also seeing more daylight. Quite apart from the changes to the stock exchange's rule book, the UK Government is coming under strong pressure to abolish stamp duty on stock dealings to allow more effective competition in an international context. Indeed, there must be a possibility that the domestic 2 per cent rate may be halved, as a first *step*, in the coming budget. Such moves would put pressure on the jobbers, whose market-making function is reinforced by the present virtual duty exemption.

Greater competition in the stock market may force brokers to become more aggressive. And rather than go into direct competition with the jobbers in market-making, many may attempt to broaden their retail coverage by incorporating life and pension instruments in their sales armoury.

For the investment trust sector, the capital gains tax exemption, far from being a source of protection, has added to the attractions for predators already tickled by the large discounts to asset value. The Revenue has been extremely relaxed about quite wide changes – with Cambrian and General, for example, retaining its status even as a "*risk arbitrage*" business. For ambitious financial service companies – including in the next few years some brokers? – some of the duller trust vehicles are likely to appear more attractive than ever as ready-made capital bases.

Anomalous

The outlook is muddied by the possible reaction of the Government to the changing environment. The Treasury team has begun to look at the various tax exemptions on savings, and the legislative outcome may emerge in *time for the* 1985 Finance Bill. Some of the shifting historical justifications for the savings tax breaks look anomalous at present levels of wealth. All the more so when a main effect of the exemptions has been to allow a padded cost structure. Equity and Law, for instance, has expenses running to a generous 3 per cent of funds managed; the Lancashire and Yorkshire friendly society charges an upfront 83 per cent of the first year's gross premium.

It would be no surprise, therefore, to see the 15 per cent premium relief abolished – in return, perhaps, for a more general exemption to individuals to save a certain amount in the instruments of their choice, on the lines of exemptions in the U.S. The impact of such changes might savage the traditional companies that have relied heavily on the protective environment of their business niche. The innovative will thrive; the performance of financial service companies will diverge dramatically.

Stronger Nato efforts sought on better dialogue with East

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

NATO ministers meet in Brussels this week for the first time since new U.S. nuclear missiles arrived in Europe and Moscow walked out of the arms control talks to Geneva.

While future strategy on European-based missiles will be a key item for discussion in Brussels, officials are preparing an agenda for the top-level meetings that seek to put Nato deliberations on a new footing.

Britain and other key European governments hope that after their often searing concern with the missile issue, the Western alliance will now focus more widely, particularly to work out ways of improving relations between East and West.

"Firmness with dialogue must be our theme," one official said, adding that it was vital for the West to reactivate political channels for communication and understanding with the Soviet bloc.

The week-long discussion opens today with a meeting of the 11 European ministers of defence who form the Eurogroup. All 13 defence ministers of the countries in Nato's integrated military structure meet tomorrow and on Wednesday while 16 foreign ministers (including France, Iceland and Spain) assemble on Thursday and Friday.

Foreign ministers are likely to discuss the management of East-West relations in restricted session. No ringing declarations of new policy are expected, but it would be surprising if the communiqué did not reflect concerns that are beginning to surface in other forums ranging from the Commonwealth Conference, which last week called for improved East-West dialogue, to a recent Atlantic Institute poll that showed that public opinion in six out of seven European countries ranked improvement of contacts with the Soviet Union higher than co-operation with the U.S.

However, Europe's own relations with the U.S. rather than with Moscow, will be a key theme underlying both the Eurogroup and the defence ministers. There are moves to give the former greater political influence.

Britain, which is to chair the group next year, would like to see common European positions worked out on contentious issues such as the imbalance in U.S.-European defence trade, and U.S. policies to restrict the transfer of technology to the Soviet bloc.

The formal agenda of defence ministers includes:

● The need to agree a budget up to 1990 on fixed installations such as airfields (Europeans wince at U.S. figures of about $6bn;

● The U.S. drive, resisted by Europe, to get European endorsement of new "emerging technology" weapons systems;

● Adoption of a report on measures Nato would take if the U.S. transferred to its Rapid Deployment Force some of its Europe-dedicated forces in the Gulf.

In some respects, however, ministers will be in a mood for self-congratulation. They have so far weathered the storm threatened by the deployment of the new cruise and Pershing 2 missiles, and consultation between the allies at that level remains good.

Thatcher call for fairer EEC budget

Continued from Page 1

they say, prevent Mrs Thatcher approving a package deal providing it covered the British budget problem and supplied a new system of controls over agriculture and other EEC spending.

In return, Mrs Thatcher would lift her veto on any increase in the ceiling on the Community's budget revenues.

In her speech yesterday, she signalled her readiness to do so more clearly than ever before provided her conditions are met. This is a powerful incentive for *other member states* to make concessions since anxieties about the Community's financial stability are running high. The current ceiling is fixed at 1 per cent of retail sales of a common basket of goods and services, and it is not now yielding enough money to maintain agricultural spending at current levels this year.

Although she has French and West German support for a tighter control on future spending, Mrs Thatcher will have to fight a lonely battle today to secure the "safety net" system she wants

This would fix Britain's net contributions at a much lower level – they were £1.2bn last year – and peg them at a fixed proportion of the UK's gross domestic product.

Talks seek to solve UK print dispute

BY PHILIP BASSETT AND DAVID GOODHART IN LONDON

ON THE EVE of talks to try to settle the bitter UK printing dispute, there were indications last night that the union involved, the National Graphical Association (NGA), was taking a much more conciliatory *line*.

Discussions that begin today under the auspices of the government conciliation service, Acas, are expected to last all week. Both sides appear to be trying to create a better atmosphere for the negotiations. Ill will has been caused by mass picketing of the printing plant involved, owned by the Stockport Messenger group of newspapers, and resultant court actions by the group's chairman , Mr Eddie Shah.

NGA leaders suggested that the first aim of the talks was to try to re-establish a relationship between the union and Mr Shah. The union has lifted picketing at the plant for at least seven days and is hoping for constructive response from the Messenger chairman.

Pressures on the NGA which follow the High Court's sequestration of the union's total £11m ($16m) assets are clearly having an effect on its thinking.

That was reinforced yesterday when it became clear that Mr Shah was correct in insisting last week that the initiative for the temporary lifting of the picketing had indeed come from the NGA rather than from Acas. In fact, the union originally proposed a four-day freeze, but then voluntarily increased its offer to a full seven days.

The High Court's action in seizing NGA assets followed the refusal of the union to obey injunctions to end the picketing or to pay fines imposed in consequence. The dispute began over attempts by the NGA to enforce a "closed shop" – the employment of only union members.

Mr Leon Brittan, the Home Secretary, yesterday reaffirmed the Government's support for the police *handling of last week's extensive* and sometimes violent picketing. The police had been criticised by NGA officials and some opposition Labour MPs.

The Home Secretary said the Government had the overwhelming support of the country in insisting that the rule of law had to be maintained.

An opinion poll published yesterday in The Sunday Times supported that view. Conducted by Mori, it said that 71 per cent of the public and 58 per cent of trade unionists said the mass picketing could not be justified.

Opposition to the closed shop was also clear: 65 per cent of the public and 53 per cent of union members were against it.

Print union avoids confrontation, Page 11

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Dubrovnik	S	12	54	Malaga	C	17	63	Salzburg	S	-6	21
Akrotiri	S	21	70	Faro	S	17	63	Malta	F	14	57	Seoul	S	6	43
Algiers	C	12	54	Florence	S	8	46	Manila	C	30	86	Singapore	R	30	86
Amsterdam	S	4	39	Frankfurt	S	0	32	Miami	C	27	81	Stockholm	C	0	32
Athens	S	15	59	Funchal	-	—	—	Milan	S	5	41	Strasbourg	S	-2	28
Bahrain	C	26	79	Geneva	C	-2	28	Moscow	C	-4	25	Sydney	F	22	72
Bangkok	S	29	84	Gibraltar	F	18	64	Munich	S	-4	25	Taipei	S	17	63
Barcelona	F	10	50	Guernsey	S	8	46	Nairobi	-	—	—	Tangier	S	20	68
Beirut	S	22	72	Helsinki	S	3	37	Naples	F	8	46	Tehran	-	—	—
Belgrade	C	-1	30	H Kong	S	22	72	New Delhi	S	25	77	Tel Aviv	S	22	72
Berlin	C	-1	30	Innsbruck	S	-1	30	New York	S	6	43	Tenerife	C	18	64
Biarritz	C	7	45	Inverness	R	11	52	Nice	S	12	54	Tokyo	S	12	54
Blackpool	F	5	41	Istanbul	C	15	59	Oporto	S	15	59	Toronto	Sn	2	36
Bordeaux	S	3	37	Jersey	S	7	45	Oslo	C	4	39	Tunis	C	10	50
Brussels	S	7	45	Jo'burg	C	28	82	Paris	S	5	41	Valencia	S	13	55
Budapest	S	-2	28	Las Palmas	F	20	68	Prague	S	-4	25	Venice	S	6	43
B Aires	S	27	81	Lima	C	22	72	Reykjavik	F	1	34	Vienna	S	-2	28
Cairo	C	25	77	Lisbon	S	14	57	Rio de J'o	C	28	82	Warsaw	S	-2	28
Cape Town	S	11	52	Locarno	S	1	34	Rome	S	12	54	Zurich	C	-5	23
Caracas	C	28	82	London	S	10	50								
Casablanca	S	19	66	Los Angeles	S	15	59								
Copenhagen	C	2	36	Luxembourg	S	3	37								
Corfu	F	12	54	Madrid	S	12	54								
Dublin	S	12	54	Majorca	C	14	57								

Readings at mid-day yesterday

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Madrid promises more aid to Enasa

Continued from Page 1

hind Enasa because the company is the only one in the Spanish motor industry to have its own, original technology – the other car and truck groups rely on foreign partners.

The most important factor in Enasa's recovery has been a contract worth $1bn to provide 11,800 all-wheel-drive trucks and some buses to the Egyptian army over the 1981-84 period. The trucks have performed so well that Enasa is considering with the Egyptian authorities the possibility of setting up an assembly plant there with local partners.

Enasa would not be averse to a merger with a non-Spanish group, but only if its exports from Spain – now accounting for over 40 per cent of vehicle output – could continue.

Enasa worked out a deal with International Harvester of the U.S. that allowed the American group to take control but ensured the continuation of, and even an increase in, Spanish exports, that fell through, however, because International Harvester ran into severe financial problems of its own.

Sr Sotomayor admits that Enasa, with a 1984 output forecast at 18,000 vans, trucks and buses, compared with around 15,000 for this year, is *not big enough to survive without* joint ventures.

To that end, it has started making truck transmissions under licence from ZF and swapping components with the West German group. It is also to produce a city bus under licence from another German company, MAN.

Enasa is also close to signing a deal with Daf of the Netherlands for the joint development of a new truck cab – which the Spanish group will need in about 1987. The two companies would share the burden of design and development costs and later exchange some components, if the deal were completed.

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday December 5 1983

INTERNATIONAL CREDITS

Algerian loan stirs small banks' interest in syndicate market

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

LEAD managers of Algeria's $750m credit will be poring over their syndication results in the next few days to see whether a further increase in the credit's amount is warranted.

It was always a foregone conclusion that the credit would attract an enthusiastic response from larger banks looking for senior positions in the deal. But some bankers doubted wheter the relatively slim margins – ½ per cent over Eurodollars for the first six years rising to ⅝ per cent for the last two – would prove enticing for smaller banks.

By Friday, general syndication had, however, attracted about $100m in extra participations – not yet enough to secure an increase to $800m but enough to show, as one banker put it, "that there is some depth to the market."

The question of depth in the broader syndication market could well become increasingly important now that margins on better-rated credits have begun to drop again. The response to the $60m deal for Tunisia, which bears similar margins to the Algerian credit, also suggests a fairly keen degree of interest among smaller participants. This deal is to be increased to more than $75m.

But there are precious few credits around at the moment which are proving a real test of the syndication market. Belgium's $600m loan is to take the form of a club deal with a limited number of banks invited to take participations of $15m apiece. The four Belgian banks which are leading the operation have selected them on the basis of their already close business involvement with the Belgian Treasury, but three of the foreign banks – Bank of Tokyo, Chase Manhattan and Gulf International – have been put in a special category with contributions of $30m each.

Gulf International stands out in this small group because Arab banks have not over the past two years been prominent lenders to Belgium. Its presence in this special category is intended to signal a change in this pattern.

In Latin America, the spotlight was again on Argentina last week as it struggled to meet the conditions for a $500m drawing of the $1.5bn term loan agreed by bank creditors earlier this year as part of the country's debt rescue package.

After considerable confusion up to the last minute, the drawing finally proceeded late on Wednesday night in New York, allowing Argentina to repay $350m from a previous bridging loan and make up $166m in interest arrears. This should bring payments up to date through the first week of October.

Some of the momentum appears to have gone out of the $6.5bn loan being assembled by creditor banks for Brazil. The credit has not been helped by the revelation that European Brazilian Bank, a London consortium that specialises in loans to Brazil, is holding back on its commitment of $100m.

Elsewhere Credit National has already completed its £100m loan led by Morgan Guaranty, Banque Nationale de Paris and Hambros. A total of 20 banks are committing £5m apiece. They include Citibank, which has previously raised objections to the legal documentation on some French loans, a contribution which suggests that the new formula developed by Morgan Guaranty to cover the controversial absence of a cross-default clause has met broad market acceptance.

EUROBOND DEALERS WIND DOWN FOR CHRISTMAS

FRNs enliven dull trading period

BY MARY ANN SIEGHART IN LONDON

PEOPLE always complain that Christmas comes earlier and earlier each year, but the Eurobond market has been suffering from the great Christmas wind-down since mid-November. Now that we are into December, investors seem to have put 1983 aside altogether.

Interest rates have provided little clue to the direction of the market in the last month, so investors have preferred to hedge their bets and buy floating rate notes instead. The only sector of the fixed-rate market to show any sign of life last week was the very short end.

Far Eastern buyers nibbled at secondary market bonds with two or three years left to run and the two latest five-year issues – for Sears Roebuck and Security Pacific – picked up by as much as a point nn the week.

BHF Bank bond average		
Dec 2		Previous
98.388		98.392
High	1983	Low
102.017		97.699

Even the floating rate note sector took a knock on Tuesday, when prices fell by 15 to 20 cents on most oew issues and a oumber of secondary market notes. Those from the better quality pames recovered during the course of the week, but it was a salutary reminder to the market that spreads will not narrow indefinitely.

There is still strong demand for floaters, but investors are going for quality rather than higb returns. Evidence nf this came with two Spanish deals – for Seat and Banco Exterior – which, despite their higb front-end fees, were not popular.

Banco Exterior's $125m bond pays ¼ point over the six-month London interbank offered rate and is led by Credit Suisse First Boston. It has a 13-year maturity, but there is optional redemption for investors after eigbt and ten years. With a front-end fee of 1¹⁵⁄₁₆, the all-io cost to the borrower over the eigbt years to the first put option is nearly ½ per cent over Libor.

By cootrast, Fuji Bank in its $200m deal also led by CSFB, ends np paying just 0.175 per cent over Libor. Eveo so, Fuji's issue traded at a discount of less than balf its selling concession, while Banco Exterior's was well below its selling concession and only just inside the total fees.

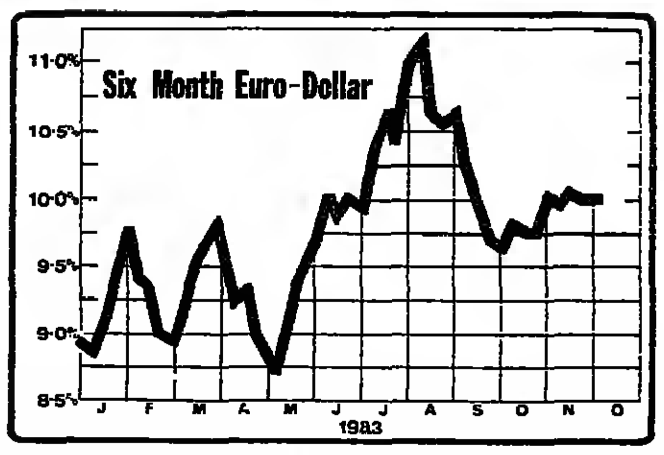
Another recently healthy sector showed signs of strain last week. With an overhang of unsold new issues already on dealers' books, the EuroCanadian dollar market was not helped by a further C$80.06m issue from the European Investment Bank on Friday. The strange issue size and maturity (seven years and 10 months) were dictated by the currency swap, which is thought to be into Deutsche Marks. It sold in the pre-market at a discount of around 2 points.

Swiss Bank Corporatinn International announced a novel form of financing for Alcan Australia last week, but it will not be put into action until January.

The company plans to issue $100m worth of floating rate notes paying ¼ point over six-month Libor. The nominal maturity is 10 years, but investors have put options every six months. The price, at the time of issue and at each rollover date, will be determined by tender.

The managers guarantee the funds to Alcan for at least seven years and receive an annual fee of 0.30 per cent for their continuing underwriting commitment and a straight 0.6875 per cent management fee.

There was minimal turnover on continental European markets last week. Prices hardly changed in Switzerland, but fell slightly in Germany.



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Mitsubishi Heavy Inds. §‡	100	1998	15	4¾	100	Mgn. Stanley, Nomura Intl.	4.750
Fuji Bank †(a)‡	200	1995	12	⅛	100	Fuji Intl., CSFB, Citicorp, Mgn. Gty., Mgn. Stanley	–
Scandinavian Bk. †‡	70	1993	8	⅛	100	Mgn. Grenfell	–
Nat. Bk. of Canada †(a)‡	50	1990	7	⅛	100	First Chicago, Merrill Lynch, Soc. Générale	–
Banco Espirito Santo †‡	30	1990	7	¼	100	Standard Chartered Merch. Bk., Saudi Intl.	–
SEAT †‡	100	1993	10	¼	100	Cont. Ill., ABC, Bk. of Tokyo, Commerzbank, Saml. Montagu	–
EEC ‡	50	1993	10	12	100	Deutsche Bk., Daiwa Secs.	12.000
EEC ‡	50	1998	15	12⅛	100	As above	12.125
Banco Exterior Intl. †‡	125	1996	13	¼	100	CSFB	–
Brown Boveri §	60	1995	12	4/4¼	100	SBCI, CSFB, UBS Secs.	•
CANADIAN DOLLARS							
EIB ‡	80.06	1991	7.8	12⅛	100	Sal. Bros., Wood Gundy	12.125
D-MARKS							
AMAS ‡	150	1991	7	8½	100	Bay. Vereinsbank	8.500
World Bank **‡	200	1988	5	7¾	99¾	Deutsche Bank	7.812
SWISS FRANCS							
Achilles Corpn. **§‡	30	1989	–	2⅞	100	UBS	2.875
Yamato Transport **§‡	50	1989	–	2¾	100	UBS	2.750
Tanamura Glass **§‡	30	1989	–	2¾	100	SBC	2.758
Japan Exim Bank **‡	100	1989	–	5⅝	100	SBC	5.625
Sumitomo Realty **§‡	55	1989	–	2⅞	100	CS	2.875
Nichiei Co. **§‡	30	1988	–	2⅞	100	Paribas (Suisse)	2.875
Chubu Elec. Power ‡	100	1991	–	5¾	100	UBS	5.759
Farm Credit ‡	100	1994	–	5⅜	190	SBC	5.375
City of Montreal ‡	100	1994	–	5¾	100½	Citicorp Bk. (Switz)	5 583
Daicel Chemical Inds. **‡	30	1988	–	6	100	UBS	5.000
Toyo Radiator **§‡	20	1989	–	2⅞	100	Banca del Gottardo	2.675
Chugai Pharm. **§	100	1988	–	2⅞	100	SBC	*
Meji Seika **§	100	1989	–	2⅞	100	SBC	*
Okuma Machinery **§	50	1989	–	3	100	Bque. Morgan Grenfell en Suisse	*
Lion Corpn. **§	50	1988	–	3	100	CS	*
Toko Inc. **§	35	1989	–	3	100	CS	*
Kirin Brewery **§	100	1989	–	2⅞	100	UBS	*
Brother Inds. **§	59	1989	–	2⅞	100	UBS	*
Gunse Sangyo **	20	1988	–	4⅛	100	Swiss Volksbank	*
Hoxan Corpn. **§	20	1989	–	3⅛	100	SBC	*
Tokyo Sanyo **§	158	1989	–	2⅞	100	SBC	*
SCN	100	1993	–	*	*	CS	5.750
GUILDERS							
EEC ‡	200	1994	10	8¾	100	Amro Bank	8.750
LUX. FRANCS							
ECSC ‡	600	1991	7½	10	100	Bque. Gen. de Lux.	10.000
ECUs							
EEC	50	1993	6½	11	*	BBL, BNP, Sparkassen SDS	*
Soc. de Dev. Regional	20	1990	5	11⅛	*	BNP, Paribas, Soc. Gen., BBL, Nomura	*
Soc. de Dev. Regional	28	1995	10	11⅝	*	As above	*
YEN							
Malaysia ‡	15bn	1993	9	7.9	99.70	Nikko Secs.	8.102
Iceland **‡	5 bn	1993	9	8.4	100	Nikko Secs.	8.400

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. (a) Spread over 6-month Libor. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Positive economic statistics leave prices battered

MR PAUL VOLCKER, the chairman of the Federal Reserve Board, appears assured of an attentive audience when he speaks in New York today.

With the economy, Federal deficits, and uncertainty over Fed monetary policy once again hogging the credit market centre stage, Mr Volcker's luncheon speech to the National Council of Savings Institutions will be eagerly awaited—not least because of the markets' current confusion.

The U.S. credit markets have been riding a roller-coaster in recent weeks as occasional waves of optimism have been replaced with bearish undercurrents. These relatively sharp and rapid changes in market mood reflect Wall Street's shifting perceptions and short-term concerns. Last week was no exception. Bond prices took a battering towards the close.

U.S. INTEREST RATES (%)

	Week to Dec 2	Week to Nov 25
Fed funds wkly avge	9.27	9.26
Three-month CDs	9.42	9.25
Three-month T-bills	8.95	8.78
30-year Trsy bond	11.82	11.63
AAA Utility	12.75	12.63
AA Industrial	12.50	12.38

Source: Salomon Bros. (estimates). In the week to November 16, M1 fell by $400m to $517.7bn. In the week to November 23 M1 rose by $1.6bn to $519.3bn.

While year-end factors such as tax-payments and the "massaging" of balance sheets and trading books are already having a distorting impact, the temporary lull in the flood of new Treasury paper—ahead of the $14.5bn to $15bn December 20 "mini-refunding" — has thrown the spotlight back on to the fundamentals.

The fact that Mr Martin Feldstein, the President's chief economic advisor, should find himself crossing swords with administration officials, for telling them publicly what many in the markets already believe—that deficits do matter—only served to underline the unease.

But the key to market performance at present appears to be the economy. A slightly mixed, but overwhelmingly positive, string of economic statistics last week (including the October leading economic indicators and the unexpectedly large decline in unemployment announced on Friday) dominated trading sentiment.

The announcement that November unemployment had hit a two-year low of 8.4 per cent compared to 8.8 per cent in October, sent bond prices plunging. In contrast the slightly larger than expected $1.6bn increase in M1 announced later in the day, following a delayed, and subsequently revised $400m decline announced on Monday, had relatively little impact.

Against this background the Treasury long bond closed on Friday at around 101⅞ to yield 11.82 per cent, a full point drop on the week. Further illustrating the markets' blues five-year Treasury issue auctioned at an average yield of 11.37 per cent last Tuesday closed on Friday at 99¼ to yield 11.51 per cent.

Short-term rates, having held steady most of the week, also backed up with bill rates closing 15 to 40 basis points higher on the week. Fed funds rising to the 9⅜ to 9½ per cent range from around 9¼ earlier in the week, and commercial rates firming by between 5 and 25 basis points.

In the corporate sector bond prices fell by between ⅜ points and 1⅛ points on long and intermediate issues respectively. New issues volume continued to be relatively moderate with many of the issues receiving a luke-warm reception and rates closing the week marginally higher.

Among the private sector borrowers tapping the credit markets financial institutions continue to dominate the new issues.

Last week saw American Express Credit Corporation launch a $150m issue of one-year 10⅞ per cent notes priced at par, Norwest Financial Corporation sold $50m of 10-year notes priced at 99.567 to yield 12.2 per cent and Wells Fargo, the west coast banking group, launched two new issues totalling $250m.

The Wells Fargo package consisted of a $150m issue of nine-year extended floating rate notes priced at par and $100m of seven-year notes bearing a 12.3 per cent coupon and also priced at par.

Paul Taylor

Hitachi profit advances on improved group sales

BY YOKO SHIBATA IN TOKYO

HITACHI and its 48 consolidated subsidiaries lifted net profits by 11 per cent to Y79.4bn ($341.3m) in the first half to September 30. Sales were Y2,091bn, up 8 per cent from the previous fiscal year.

The company said that the major contributor to sales growth was the electronics division - including semiconductors and information processing equipment. The division had an increase of 23 per cent in sales to account for 25 per cent of the total.

The heavy electrical equipment and consumer products divisions also showed solid increases of 8 and 6 per cent, to account for 17 per cent and 21 per cent respectively of turnover.

Lower capital spending by industry, however, adversely affected the industrial machinery sector where sales were unchanged from the previous year.

Overseas sales, mainly of electronics and consumer products, rose by 4 per cent to account for 26 per cent of the total.

According to a senior company executive the company has completed payment for the legal costs arising from the lawsuit brought against it by IBM for alleged theft of confidential technology.

It has also paid fees for the past use of IBM software during its first half. Hitachi paid IBM for the use of software on the basis of the number of software programmes sold to its users.

Hitachi's future software royalty payments to IBM will be between Y500m and Y1bn per month which will continue for the next eight years. This indicates that the company paid IBM some Y3bn to Y6bn in the first half.

In the current half year, ending March 1984, Hitachi will be placing on the books the IBM royalty payments plus the cost of losing a number of users to IBM. The executive said this would not affect Hitachi's business performance.

For the current fiscal year, Hitachi's semiconductor and information processor division is expected to continue to expand.

Hoesch in talks on PWH

HOESCH, the West German steel producer, is holding talks with a subsidiary of the Arbed Saarstahl concern over taking over its 49 per cent stake in PHB-Weserhuette (PWH), the Cologne-based group specialising in mining and handling equipment, James Buchan reports from Bonn.

If the deal—tentatively valued at DM 50m ($18m) — goes through as expected, it could do much to complement Hoesch's current 50 per cent stake in Orenstein und Koppel (O & K), one of the largest West German construction machinery concerns.

Arbed Saarstahl has committed itself to reforming its manufacturing division in return for massive federal and local government aid.

PWH has said that group sales this year will be down somewhat on 1982's record DM 1.2bn.

Progress at AEG-Telefunken

By Jonathan Carr in Frankfurt

AEG-TELEFUNKEN, the struggling West German electricals giant, has reported orders down and sales only slightly up in the first 10 months of 1983. But it also says it is making progress on the road back to profitability.

Incoming orders dropped 4 per cent compared with the same period of 1982. Domestic demand increased but foreign orders fell.

Turnover was up by 1 per cent to DM 9.03bn ($3.3bn). Foreign sales were buoyant, showing a rise of 9 per cent, while domestic sales dropped by 5 per cent.

Fixed asset investment at the end of October was 8 per cent higher than a year earlier. The group labour force worldwide totalled 87,200—a cut of more than 10,000 since the start of this year.

In May, Herr Heinz Dürr, the chief executive, said the company hoped to approach the break-even point this year after suffering an operating loss of DM 932m in 1982. AEG-Telefunken was saved from financial collapse after creditors agreed to write off 60 per cent of its loans

Amex insurance unit to shed 1,500 jobs

BY PAUL TAYLOR IN NEW YORK

FIREMAN'S FUND, the American Express insurance subsidiary, has announced job cuts involving more than 10 per cent of its 13,000 employees.

Mr James Meenaghan, president and chief operating officer of Fireman's Fund, said 300 jobs in its property-liability operations were being cut immediately. A further 1,200 jobs would go next year, largely through attrition and productivity improvements.

The immediate job reductions affect 75 employees at the insurance company's headquarters in Marin County, California with the remainder spread among 63 field offices and processing centres around the U.S.

Earnings at Fireman's Fund fell 23 per cent to $46m in the third quarter of 1983, due to increased competition in the property-liability business and losses caused by Hurricane Alicia.

$47m charge at Fluor

FLUOR, the U.S. engineering and construction services group, is to take a charge of $47m against profits in the fourth quarter, of which $21m reflects cuts in its overseas oil and gas exploration, writes Terry Dodsworth in New York.

The company would not detail the foreign activities that will be affected. It said it intended to remain in oil and gas exploration, but would emphasise its involvement in the domestic sector, which already accounted for about 60 per cent of the total.

The rest of the write-down will involve a $26m reserve for the previously announced plan to sell its distribution services group, which Fluor expects to effect early next year.

Fluor has not indicated whether it will make a profit in the fourth quarter, although a year ago net earnings amounted to only $32.3m on sales of $1.8bn.

Shake-up at Rhone-Poulenc

A MAJOR shake-up has taken place in the top management of RHONE - POULENC, the nationalised French chemicals and textile group, following the resignation of M Gerard Worms, one of the group's managing directors, who is being replaced by M Serge Tchuruk, a deputy managing director, Paul Betts reports from Paris.

M Worms is moving to COMPAGNIE FINANCIERE DE SUEZ, the large French banking group which is also nationalised. His departure from Rhone-Poulenc, however, reflects the major reorganisation at top management level that has been taking place since M Loik Le Floch Prigent was appointed as chairman of the group after nationalisation last year. M Worms had been appointed managing director under the pre-nationalisation regime at the chemicals group and was regarded at one stage as a possible candidate to become chairman. The other managing director of Rhone-Poulenc remains M Jean-Marc Bruel.

M Albert Diehl, managing director of the chemicals group's textile division has also resigned. M Le Floch Prigent has decided to take under his direct control Rhone-Poulenc's European textile operations while French textile operations have been placed under the control of M Mogens Andersen.

INTERNATIONAL APPOINTMENTS

● The Italian Banking Association (ABI) has elected Professor Giannino Parravicini as its new chairman, to replace Sig Silvio Golzio who is retiring. Prof. Parravicini, who is 73, is chairman of the Banco di Sicilia and is by profession an economist though he has held many posts in banking and other economic and financial institutions. His election as president of ABI follows a search lasting several months and he was elected only on the third ballot. ABI represents the interests of the Italian banking community and in particular decides prime lending rate, though its decision is not officially binding on member banks.

● SWISS BANK CORPORATION has appointed Mr Willi Wittwer as executive vice-president of its U.S. organisation. Mr Wittwer had been a senior vice-president since transferring from Switzerland to New York in January 1981.

Mr Willi Wittwer U.S. executive vice-president at Swiss Bank Corporation.

● On November 17 Mr Pierre de Vogue, chairman and general manager, submitted his resignation from SCOR, Paris, for personal reasons. He has become honorary chairman. Mr Patrick Peugeot, member of the board since June 1983, has been appointed president and general manager in place of Mr de Vogue. SCOR is a leading French reinsurer with a network of branch offices and subsidiaries covering the U.S., Canada, the UK, the Far East and Australia.

● The doyen of Spain's top bankers, 86-year-old Sr Jose Maria Aguirre Gonzalo, has been replaced as chairman of BANESTO, one of the country's two largest private banks. The new chairman, Sr Pablo Garnica, was formerly vice-chairman and is not expected to bring radical changes in the running of the bank. His appointment only marginally reduces the high average age among the heads of Spain's "big seven." He is 74. Sr Aguirre Gonzalo, who had been chairman for 13 years, made clear that he did not resign the post on his own initiative. He has been given the post of honorary president

● FRITZSCHE DODGE & OLCOTT INC. has named Mr David W. Duncan national aroma chemical sales directors. He was director of sales, U.S. and Canada for organic chemicals division, SCM Corp.

● Promotions to two newly-created senior positions in marketing and sales have been made by MAGNAFLUX CORP. Mr Henry G. Bogart has been named senior vice - president, marketing. He will continue to have overall responsibility for marketing of MAGNAFLUX standard magnetic particle, penetrant, X-ray equipment and material product lines. He was vice president, marketing. Mr Karl W. Kolb has been vice-president, sales. He will be responsible for all field marketing activities for the magnetic particle, penetrant, X-ray equipment and materials product lines. He was manager, field engineering.

● Mr John Marsh has been appointed senior representative for NATIONAL WESTMINSTER BANK in the Netherlands based in S'Hertogenbosch at the headquarters of F. Van Lanschot Bankiers NV, its Dutch affiliate. He succeeds Mr Peter Teall who will be returning to the UK on completion of his tour of duty. Prior to this appointment Mr John Marsh was accounts executive, finance and marketing, in the bank's international banking division, London.

● PITTSTON CO's chairman Mr N. T. Camicia, has stepped down and will be succeeded by Mr Paul W. Douglas, who will serve as chairman and chief executive officer, effective January 1. Mr Camicia will become chairman of the finance committee. Mr Douglas is the former president and chief executive of Freeport-McMoran Inc. He was also elected to the Pittston board.

● UNION CAMP CORP has appointed its president Mr Peter J. McLaughlin chairman succeeding Mr Alexander Calder Jr. Mr McLaughlin remains chief executive officer and Mr Calder remains chairman of the executive committee. Executive vice-president Mr Gene Cartledge has been named president and chief operating officer.

● Mr Russell Mills has been appointed director of staffing and development for the components group of GENERAL INSTRUMENT CORP. Most recently, Mr Mills served as director of human resources planning and development for Howmet Aluminium Corp of Greenwich, Connecticut.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¼ 90	100	93¾	94¼	−0¼	−0¼	11.64
Australia Com. 11¼ 00	100	100⅞	101⅜	−0⅛	−0⅛	11.00
Australia Com. 11½ 95	300	96½	97	−0⅛	0	12.02
Australia Com. 11⅝ 98	100	97⅛	97⅝	0	−0⅛	12.00
Bk. of Tokyo Hd. 11 90	100	94⅜	94⅞	−0⅛	−0⅛	12.24
Brit. Col. Hyd. 10⅝ 88	200	96½	97	0	−0½	11.21
Britoil Fin. 11⅞ 00	125	99⅜	99⅞	−0⅛	−0½	11.94
Canada 10⅞ 88	500	98⅜	99	0	+0⅛	11.21
CCCE 11⅜ 97	100	92⅜	93⅛	−0⅛	−0⅜	12.87
CCCE 12⅝ 95	75	98¾	99⅛	−0⅛	−0½	12.77
CIBC 11 90	75	92⅞	93⅜	+0⅛	+0⅛	12.56
Citicorp O/S 10⅝ 90	100	91¼	91¾	−0⅛	−0⅛	12.33
Citicorp O/S 11⅝ 90	100	96½	97	−0⅛	−0⅛	12.46
Cr. Suisse Bah. 10¼ 90	150	†98⅞	99⅜	0	−0⅜	10.70
Den. Norsk Crd. 11¼ 93	50	93	93½	0	−0⅛	12.47
ECSC 11⅞ 90	75	99½	100	0	−0⅜	11.90
EDF 11¼ 93	100	91⅞	92⅜	−0⅜	−0⅛	12.57
EEC 11 87	350	98½	99	−0⅛	−0⅛	11.39
EIB 10¾ 93	200	91½	92	−0⅛	−0⅛	12.24
EIB 11 91	125	95	95½	+0⅛	−0¼	11.99
Eksportfinans 11½ 90	100	95⅜	95⅞	−0⅛	−0⅛	12.30
Electrolux 10⅛ 00	50	92¼	92¾	+0⅛	0	12.20
Enserch Fin. 11⅝ 00	100	95½	96	−0⅛	−0⅛	12.38
Fuji Int. Fin. 10⅞ 00	100	†92½	93	−0⅛	−0⅛	12.54
GMAC O/S Fin. 11⅜ 90	150	99⅜	99⅞	+0⅛	+0⅛	11.46
Honeywell Int. 10¾ 00	100	95¾	96¼	−0⅛	−0⅛	11.45
Ind. Bk. Japan 10⅞ 88	100	97	97½	−0⅛	−0⅛	11.67
Ind. Bk. Japan 11⅞ 91	100	97¾	98¼	−0⅛	−0⅛	12.28
Japan Air Lines 10⅞ 98	42	91¼	91⅞	−0⅛	−0⅛	12.11
Japan Air Lines 11 93	75	94⅜	94⅞	−0⅜	−0⅛	11.96
J. C. Penney 11⅝ 90	100	99⅜	100¼	−0⅛	−0⅛	11.89
J. P. Mrgn. 11⅜ 90 WW	150	96⅞	97⅜	−0⅛	−0⅛	12.02
Levi Strauss Int. 11 90	75	97⅞	98⅜	−0¼	−0⅛	11.85
LTCB 10⅝ 90	100	92⅜	93⅛	−0⅛	−0⅛	12.37
LTCB 12½ 90	85	100⅞	101¼	0	−0⅛	12.25
Merrill Lynch 10⅝ 90	200	93½	94¼	0	−0⅛	11.98
Mitsubishi Cpn. 10⅝ 00	100	93¼	93¾	−0⅛	−0⅛	11.94
Mitsubishi Fin. 11⅜ 90	100	95	95½	−0⅛	−0⅛	12.44
Nippon Credit 11 90	100	93¼	93¾	−0⅛	−0⅛	12.49
Nippon Credit 11⅝ 90	100	97	97½	0	−0⅛	12.48
Ontario Hydro 10⅝ 00	250	93¼	93⅝	0	−0⅛	11.74
Ontario Hydro 11⅜ 00	200	100¼	100⅝	0	+0⅛	11.58
Pacific Gas & El. 12 91	75	102	102½	−0⅛	−0⅛	11.54
PK Banken 12 90 WW	75	96⅞	97⅜	+0⅛	+0⅛	12.64
Prudential O/S 10⅝ 00	100	93¾	94¼	−0⅛	−0⅛	11.69
Quebec Hydro 11½ 92	100	†97¼	97¾	0	+0⅛	11.97
Sasktchwn. Pr. 10¾ 90	125	95⅜	96⅛	−0⅛	−0⅛	11.68
Sears O/S Fin. 11½ 88	125	100⅞	101⅜	−0⅛	+0⅛	11.10
Sears O/S Fin. 11⅝ 00	100	97⅞	98⅜	0	−0⅛	11.95
S. Cal. Edison 10½ 90	75	96⅜	96⅞	−0⅛	−0½	11.47
Sumitomo Fin. 10⅞ 90	100	92⅜	93¼	−0⅛	−0⅛	12.47
Texaco Capital 8⅝ 90	150	91¼	91⅞	−0⅛	−0⅛	11.69
Texaco Capital 10⅝ 00	200	94⅜	94⅞	−0⅛	−0⅛	11.45
UBS 10 88	100	97⅜	98⅛	−0⅛	−0⅛	10.59
World Bank 11¼ 88	100	98⅞	99⅜	0	−0⅛	11.46
World Bank 11¼ 90	200	96⅛	96⅝	−0⅛	−0⅛	12.01
World Bank 11⅝ 90	150	97⅞	98⅜	−0⅛	−0⅜	11.92
World Bank 12 00	200	99½	100	−0⅛	−0⅜	12.02

Average price changes... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7½ 93	100	99⅞	100⅜	0	−0⅛	7.33
Arab Bnkg. Cpn. 8 88	100	96¼	96¾	0	−0¼	8.91
Asian Dev. Bk. 8½ 93	200	99⅜	100⅛	+0⅛	−0⅛	8.52
Austria, Rep. 7⅝ 88	100	99⅞	100⅜	+0⅛	+0⅛	7.55
Austria, Rep. 8 93	100	101¼	101¾	+0½	+1	7.78
Avon Int. Fin. 7½ 93	100	101	101½	0	−0⅛	7.30
Barclays O/S 8¼ 98	250	97⅞	98⅜	0	−0⅛	8.35
Beatrice Foods 7⅝ 93	130	103⅜	103⅞	+0⅛	−0⅛	7.22
BFCE 8¼ 00	100	100⅜	100⅞	0	+0⅛	8.11
Dresdner Fin. 4 00 WW	250	108	109	0	−0⅛	2.58
Dresdner Fin. 4 90 XW	250	82⅞	83⅜	0	−0⅛	7.29
ECSC 8 00	160	100⅜	100⅞	+0⅛	−0⅛	7.89
EEC 8¼ 93	250	100⅜	101¼	+0⅛	+0⅛	8.08
EIB 8 93	200	98½	99	0	0	8.19
Eurofima 7½ 90	100	100⅜	101⅛	+0⅛	−0½	7.29
Europarat 8¼ 93	190	99¾	100¼	+0⅛	−0⅛	8.28
Finland Rep. 8 90	150	98⅜	98⅞	0	−0⅛	8.31
Int. Standard Ele. 7⅝ 93	100	102½	103	0	−0⅛	7.33
Ireland 8⅜ 91	150	100½	101	0	+0⅛	8.48
Japan Devt. Bk. 7½ 90	100	100⅜	101⅛	0	+0⅛	7.27
LTCB 8 90	100	101	101½	−0⅛	−0⅛	7.74
Renault Acceptnce. 8 90	190	98⅛	98⅝	0	0	8.32
SDR France 7⅞ 93	100	97⅜	97⅞	0	−0⅛	8.27
S. African Tran. 8¼ 90	100	99½	100	+0⅛	+0⅛	8.28
World Bank 7½ 90	250	97⅞	98⅜	+0⅛	0	7.84
World Bank 7⅞ 89	300	99⅞	100⅜	+0⅛	+0⅛	7.81

Average price changes... On day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bank of Tokyo 6 91	100	102½	102¾	+0⅛	+0⅛	5.57
Bergen, City of 5¼ 95	40	100	100¼	0	−0⅛	5.73
Denmark 6⅛ 91	100	101⅜	102⅛	−0⅛	−0⅛	6.03
EDC 6¼ 91	100	†100	100½	+0⅛	+0½	6.23
EEC 6 93	100	101⅜	102	−0⅛	+0⅛	5.74
Eurocomt 6½ 93	100	99	99½	+0⅛	0	6.24
Ind. Fd. Finland 6¼ 91	40	†101½	102	0	+0⅛	5.95
Int.-Am. Dev. Bk. 6 93	100	98¾	99½	+0⅛	−0⅛	6.22
Ireland 5½ 93	80	99⅜	99⅞	+0⅛	+0⅛	6.00
Japan Dev. Bank 5⅞ 93	100	102⅞	103⅛	+0½	+1⅛	5.47
Jap. Highway P. 6⅛ 91	100	100	100¼	+0⅛	0	5.80
Kansai Elec. Pwr. 6 91	100	102	102½	−0⅛	+0⅛	5.64
Kawasaki Steel 6⅞ 91	100	101	101½	+0⅛	+0⅛	5.93
Manitoba Prov. 5⅝ 93	100	100¼	100½	0	−0⅛	5.43
Mont Blanc Tunl 6⅛ 93	35	102⅜	103	−0⅛	+0½	5.98
Mont Isa Fin. 6 93	100	102	102½	−0⅜	−0⅛	5.70
Mt. Bk. Denmark 6⅛ 91	60	99⅜	99½	+0⅛	+0⅛	6.35
New Brunswick 5⅞ 93	100	†101⅜	102	+0⅛	−0⅛	5.60
Nisshin Steel 6¼ 91	100	100	100¼	+0⅛	0	6.22
Osterr. Draukraft 5 00	100	102¼	102½	−0⅛	0	5.67
Osterr. Post 6¼ 91	100	102	102½	−0⅛	+0⅛	5.76
Quebec Province 5⅞ 93	100	99⅛	99⅝	+0⅛	−0⅛	5.69
Sumitomo Hvy. I. 6 91	100	†100¼	101	−0⅛	+0⅛	5.85
Tokyo Elec. Pwr. 5⅞ 91	100	102¼	102½	0	−0⅛	5.49
Trizec Corpn. 6⅝ 93	100	99¾	100	0	0	6.14
World Bank 6 95	100	†98½	98¾	−0⅛	+0⅛	6.18

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅜ 92	15	106⅜	106⅞	0	+0⅛	7.59
EIB 8⅛ 92	15	103	103½	0	+0⅛	7.68
Int.-Am. Dv. Bk. 7⅞ 00	15	100	100½	0	+0⅛	7.82
New Zealand 7⅝ 89	15	102⅜	103⅛	0	0	6.97
World Bank 7⅝ 00	20	99⅞	100⅜	0	+0⅛	7.61

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Farm Credit 12½ 00 C$	75	†100½	101	−0⅛	−0⅛	12.08
Norcen 12½ 93 C$	60	†96⅜	97⅛	−0⅛	−0⅜	13.31
TD Mt. Cpn. 12¼ 88 C$	40	†101	101½	−0⅛	−0⅛	12.11
Quebec Hyd. 12⅜ 93 C$	90	†101½	102⅛	−0⅛	−0⅛	12.37
Royal Trstco. 12⅜ 88 C$	50	†101⅜	101⅞	−0⅛	−0⅛	12.18
World Bank 12¼ 90 C$	75	†100⅜	101¼	−0⅛	−1⅛	12.01
Xerox Canada 12 88 C$	40	†102⅛	102⅝	−0⅛	−0⅛	11.29
EIB 11⅜ 93 ECU	50	99⅜	100¼	+0⅛	−0⅛	11.08
Genfinance 11 90 ECU	90	99⅜	100⅛	+1⅛	+1⅛	11.04
Algemene Bk. 8⅜ 88 Fl	150	102¼	102⅝	+0⅛	+0⅞	8.07
Bk. Mees Hope 8 88 Fl	75	103	103½	0	+0½	7.14
Elec. Sup. Bd. 8⅜ 88 Fl	75	97⅜	97⅞	0	0	8.43
PHP 8⅜ 88 Fl	50	101⅞	102⅜	0	+0⅛	8.17
Sw. Ex. Cred. 7⅝ 88 Fl	100	96	96½	+0⅛	+0⅛	8.81
World Bank 9 88 Fl	100	103⅛	103⅝	+0⅛	+0⅛	8.10
OKB 14 88 FFr	400	100⅜	101⅛	0	+0⅛	13.23
Solvay et C. 14¼ 88 FFr	200	102	103	0	+0⅛	13.31
BFCE 11⅛ 88 £	50	99⅜	100	−0⅛	−0⅛	11.57
British Oxyg. 11⅜ 91 £	50	99⅞	100⅜	0	−0⅛	11.66
CEPME 11¼ 95 £	35	†100⅜	101⅛	0	+0⅛	11.03
Ciba-Geigy Int. 6⅜ 93 £	25	98⅛	98⅝	−0⅛	+0⅞	6.88
EEC 11¼ 91 £	50	101⅛	102⅛	+0½	+0⅛	11.48
EEC 11¼ 93 £	50	101⅜	102	−0⅛	0	11.58
Fin. for Ind. 10⅝ 00 £	20	95⅜	96⅛	+0⅛	+0⅛	11.43
Finland Rep. 11¼ 88 £	50	100⅛	101⅛	−0⅛	+0⅛	11.50
Gen. Elec. Co. 12½ 88 £	90	104	105	0	+0⅛	11.28
III 10⅝ 93 £	25	95½	96⅛	0	+0⅛	11.46
III 11⅜ 91 WW £	50	†99⅜	100⅛	0	0	11.45
Mort. Bk. Fin. 11⅜ 88 £	15	98⅜	99⅜	0	+0⅛	11.96
Norsk Hydro 12 00 £	30	101⅛	102⅛	−0⅛	−0⅞	11.57
Sweden 11⅜ 93 £	50	98⅛	98⅞	−0⅛	−0⅛	11.49
Sw. Ex. Cred. 11⅛ 88 £	30	98⅞	99⅛	−0½	−0⅛	11.57
World Bank 11⅛ 88 £	100	98⅞	99½	−0⅛	−0⅛	11.34
Eurofima 10 91 LuxFr	600	99⅝	100⅝	−0⅛	−0⅛	9.97
Europarat 10⅝ 90 LuxFr	600	100⅜	101⅜	−0⅛	−1⅛	10.53

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFCE 5¼ 88	0¼	99⅜	99⅞	20/1	10.16	10.20
Caisse Nat. Tele. 5¼ 90	0⅛	99⅜	99⅝	21/4	10	10.08
CCF 5¼ 95	0⅛	99½	99¾	7/4	8.94	8.97
CCF 5¼ 88	0¼	99⅞	100⅛	24/3	10.19	10.13
CEPME 5¼ 88 WW	0¼	†99¾	100	3/12	10.66	10.97
CEPME 5¼ 92	0¼	99⅞	100⅛	10/12	10⅛	10.00
Chemical NY 5¼ 94	‡0¼	100¼	100½	23/12	10	9.98
CNCA 5¼ 95 XW	0⅛	99½	99¾	7/12	10	10.04
CNCA 5¼ 97	0¼	99⅝	99⅞	24/3	10.31	10.34
CNT 5¼ 91	0¼	99½	99¾	6/5	10.19	19.23
Credit Foncier 5¼ 93	0¼	99½	99¾	6/4	10	10.04
Credit Lyonnais 5¼ 94	0⅛	99½	99¾	5/1	10.31	10.35
Credit Lyonnais 5¼ 87	0¼	99½	99¾	1/4	10	10.04
Denmark 5¼ 90	0⅛	99⅜	99⅝	13/4	10	10.05
Dresdner F. 5¼ 93 XW	0¼	100	100¼	19/4	8.94	9.88
EDF 5¼ 95 XW	0⅛	99⅝	99⅞	10/2	11⅛	11.40
EEC 5 90	0¼	100	100¼	5/1	10.19	10.17
First Interstate 5¼ 95	0¼	99¼	99½	5/3	5¼	5.28
Hispano 5¼ 95	0¼	98¼	98½	20/4	10	10.17
NZ Steel Dev. 5¼ 92	0¼	99⅞	100⅛	22/12	10¼	10.24
Societe Gen. 5¼ 00 XW	0⅛	99⅝	99⅞	9/5	10.31	10.34
Societe Generale 5¼ 95	0¼	99⅞	100	1/3	10.94	10.95
Sweden 5¼ 89	0¼	100	100¼	26/2	10.19	10.18
Sweden 5¼ 93	0⅛	100¼	100½	3/2	11.19	11.10
Sweden 5¼ 2003	0¼	99⅛	99⅜	17/5	5⅛	5.27

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	410	123¾	125¼	−0⅛	0.22
Canon 7 97	7/82	680.2	230	232	+3⅛	4.14
Daiwa Sec. Co. 5½ 98	10/83	481.0	†97⅛	98¼	+0⅛	−2.37
Hitachi Cable 5⅛ 96	2/82	515	106½	108	−0½	−0.96
Honda Motor 5⅛ 98	6/83	884	124⅜	125⅜	+1⅛	2.25
Honda Motor 5⅞ 97	3/83	759 §	144	145½	+2½	1.17
Konishiroku Ph. 4 98	10/83	673	97⅛	98¼	+0⅛	3.77
Kyowa Hakko 6⅛ 97	2/83	762	114	115½	+0⅛	13.14
Minebea Co. 5½ 98	5/83	667	111⅛	112¼	+1⅛	3.96
Mitsubishi Elec. 5⅛ 98	5/83	396	108⅜	109⅛	−0⅛	3.04
Nippon Electric 5⅛ 97	2/82	765	172⅜	174¼	+0⅞	4.42
Nippon Oil Co. 5½ 96	4/83	964	116⅜	117⅛	−2⅛	−1.00
Nissan Motor 5⅜ 98	4/83	700	104½	105½	−2	1.07
Olympus Optic. 6⅛ 97	12/82	1157	105⅞	107⅛	−0⅛	6.45
Orient Finance 5⅜ 97	3/82	927.2	95½	97	−0⅛	15.43
Orient Leasing 6⅛ 98	6/83	2680	88½	89¼	+0⅛	4.67
Secom 5 98	11/83	2920	131⅛	133	+1⅛	0.48
Sumitomo Elec. 5½ 97	3/82	577.3	123⅜	124⅛	0	0.63
Yamaichi Sec. Co. 5 98	8/83	449.5	95½	97	0	−2.79
Yamanouchi Ph. 4 90	10/83	1808	95⅜	98⅜	−0⅛	8.38
NEC Cpn. 3½ 93 SwFr	8/83	978	145	147	+0½	1.10
Settsu Ppr. 3⅜ 93 SwFr	9/83	715	101½	102¼	+0⅛	14.42
Asics 5 92 DM	12/83	520	107⅞	108⅜	+0⅛	8.09
Konishiroku 5¼ 88 DM	8/82	518	118	120	+0⅛	3.23
Sum Realty 6⅛ 92 DM	2/83	365	126½	127½	+0⅞	−3.46

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	4,610.8	10,511.7
Previous week	5,782.8	13,564.0
Other bonds		
Last week	1,533.0	1,486.4
Previous week	1,751.4	1,425.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on December 2

UK COMPANY NEWS

Lofs attributable losses rise

AT THE attributable level, losses of ship owner and operator London & Overseas Freighters increased from £4.62m to £6.63m for the six months ended September 30 1983 and the per share figure came out at 11.6p against 8.2p.

Directors state that there has been an improvement in the economic environment, especially in the U.S. where there has also been a slight increase in oil consumption. Tanker freights began to reflect these factors and the company benefited from the better market.

"But with two vessels temporarily out of service for drydocking, earnings have again been insufficient to cover direct operating expenses."

The six months' figures relate entirely to the tanker fleet, directors say, whereas the comparatives include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut."

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.83m to £2.44m—and interest relating to the two new tankers acquired in 1982. This amounted to £2.3m (£1.08m).

Directors express concern about the market's low demand and continued drain on the group's liquid resources, resulting from unprofitable trading of the company's vessels.

"Our main bankers have supported the company throughout the protracted depression in the industry and we are now considering with them what further steps should be taken."

Trading loss was up at £4.1m (£3.23m), investment income and interest receivable was £366,000 (£367,000) and exchange losses amounted to £478,000 (£243,000).

There is again no tax, associate's share of losses was £28,000 (£469,000) and last time there was a £36,000 surplus on the sale of listed investments.

FT Share Information

The following securities have been added to the Share Information Service:

Centennial Minerals (Mines. Miscel.)
D.J. Security Alarms (Electricals)
FAI Insurances (Insurance)
Oxford Instruments (Electricals)
Pillsbury (Americans)

Air Call

Air Call shareholders have approved the acquisition of Consortium Communications International Inc and the increase in the company's authorised capital.

Hunslet £0.74m into red

A TURNROUND of £2.87m to pre-tax losses of £742,000 has been suffered by engineering company Hunslet (Holdings) for the year ended August 7, 1983, but the dividend has been maintained at 8.5p net per 25p share.

The directors say they are "most concerned" at the continued lack of available work, and are energetically investigating all opportunities. But the position remains difficult, and in the event that substantial order are not received soon, some reduction in engineering activities, including further redundancies, will be inevitable, they state.

During the year directors explain that difficult trading conditions continued, both at home and abroad, and the company was compelled to declare some redundancies which reduced the workforce from 860 to 750 in the 12 months.

Turnover amounted to £11.39m, compared with £12.79m; operating losses were £1.3m (£1.42m profits) and interest receivable and similar income was £555,000 (£703,000).

After a tax credit of £595,000 (£850,000 charge) loss attributable came to £147,000 (£1.28m profit) or 12.2p per share (earnings 108.3p).

Current cost pre-tax loss is £1.12m (£1.73m profit).

£7m profit forecast by Eagle Star offshoot

NM ROTHSCHILD is offering for sale by tender 12.5m shares in VG Instruments (VGI) at a minimum price of 130p per share. On this basis, VGI will be capitalised at £65m.

VGI (a subsidiary of Grovewood Securities—part of Eagle Star), is forecasting pre-tax profits of £7m for the year to December 31 1983, putting the shares on a prospective fully taxed PE ratio of 20.

The principal activity of VGI is the manufacture and supply of a range of scientific instruments for the analysis of liquids, solids and gases.

The application list opens on December 8, and the striking price will be announced as soon as possible thereafter. Brokers to the offer are Panmure Gordon.

● comment

VG Instruments extremely high-tech profile initially looks worthy of at least the prospective fully taxed multiple of 20, implied in the minimum tender price. A company involved in molecular beam epitaxy—involving controlling the growth of semi-conductor materials, atomic layer by atomic layer—sounds tailor made for the technology fund manager. The only problem is that, for all its undoubted technical ingenuity, VGI's profits record since 1980 has been most uninspiring. The company's sponsors are happy to hear the stock compared with the very highly rated Oxford Instruments, but the growth rates do not stand comparison. On the other hand, VGI's customers are extremely well spread both by markets, and by geography. So the risks of investing in VGI are correspondingly less highly geared. Indeed, the fact that the company is holding about £10m in net cash, suggests that the management is well aware of the virtues of caution. Would be investors should pitch in with offers of at least 10 per cent above the minimum price.

Panel meeting today on fate of Siebe bid

BY RAY MAUGHAN

A FULL meeting of the Takeover Panel will be convened this afternoon to decide the fate of the confused bid by Siebe Gorman, the protective clothing group, for Tecalemit.

The £18.3m bid from Siebe was due to close last Friday afternoon and the bidder has since disclosed that its terms had been accepted by sufficient Tecalemit stockholders to give it full control.

Coupled with purchases in the stock market during the course of the offer, Siebe had 60 per cent of its target. It was thus in a position to declare its offer unconditional as to acceptances but Siebe has yet to gain final clearance from the regulatory authorities.

The Takeover Panel is concerned that Siebe had plainly breached the City Code, when, on Thursday afternoon, it promised an increase in the final dividend already forecast for the year to March 1984.

At issue, is the section of the Code which stipulates that the terms of a bid may not be increased once the offer has been running for 46 days or more. Siebe was within 24 hours of the close and, although the section does not refer directly to forecast dividend increases, the Panel is clear that additional income, to which accepting Tecalemit stockholders would be entitled, constitutes an improvement to the overall terms.

The Panel may now allow Siebe to continue and declare its bid unconditional in all respects or, alternatively, the authorities may decide that Siebe's offer should be lapsed in which case Siebe may not renew its interest for at least 12 months. It appears that Siebe must now show that it was firmly in a position to take control of Tecalemit without recourse to the dividend forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Atkins Brothers (Hosiery), Birmingham Mint, Bremnor, Brownlee, Celestion Industries, Control Securities, Erskine House, FKI Electricals, Ferranti, Hicking Pentecost, Kleen-E-Ze, Lynton, Merrydown Wine, Alfred Preedy, R. W. Toothill, Vinten, Wagon Industrial.

Finals: Charles Baynes, Matthew Brown, Dubilier.

FUTURE DATES

Interims:
Arlington Motor ... Dec 15
Distillers ... Dec 15
Russell (Alexander) ... Dec 8
Scottish and Newcastle Brew. ... Dec 14
Stewart and Wight ... Dec 15
Wellman ... Dec 8

Finals:
Grand Metropolitan ... Dec 22
Romal Tea ... Dec 8
Siglow ... Dec 8
Union Discount ... Jan 25
Williamson Tea ... Dec 8

Oliver Prospecting

Mr Sugrue sold his 236,000 Oliver Prospecting and Mining shares privately on November 14 1983 and that he sold his remaining holdings through the market.

LADBROKE INDEX
735-740 (unchanged)
Based on FT Index
Tel: 01-493 5261

FINANCIAL TIMES STOCK INDICES

	Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	Nov. 25	1983 High	1983 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	83.18	83.35	83.33	82.98	83.08	82.96	83.70	77.00	127.4	49.18
Fixed Interest	86.20	86.18	86.20	86.00	86.00	86.04	86.20	79.03	150.4	50.53
Industrial Ord	741.3	741.1	746.1	746.7	743.9	738.5	746.7	598.4	746.7	46.4
Gold Mines	680.6	668.4	670.1	645.0	657.1	604.6	734.7	444.6	734.7	43.5
FT-Act. All Share	459.98	459.83	461.87	460.89	460.92	456.63	466.74	382.28	465.74	61.92

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or –	Net Div.	Times Covered	Gross Yield	P.E. Ratio
¶120	F.P.	28/11	122	103	✣Acorn Computer 1p	118	+3	—	—	—	8.2
115	F.P.	13/12	176	143	✣Aspinall Hldgs 10p	143	–2	bg3.0	3.7	3.0	2.8
33	F.P.	—	34	32	✣Browmaker 1p	33	...	—	—	—	17.6
¶436	200	10.2	220	178	Brit. Petroleum	188	–2	20.25	1.6	6.8	11.8
200	F.P.	—	260	156	✣Bryson Oil & Gas 20p	210	+15	—	—	—	—
¶105	F.P.	28/10	112	107	Coin Inds. 10p	112	+1	3.3	2.4	4.2	14.1
175	F.P.	16/12	87	78	✣Edinb'gh Fd. Man 5p	86	...	bg1.9	2.8	3.0	16.9
97	F.P.	30/11	108	97	Europ'n Assets DFI. 1	108	...	Q10½	1.0	2.0	—
§54	F.P.	14/12	54	50	✣Federated Housg 5p	50	.....	b2.45	2.4	7.0	8.4
‡IR77	F.P.	25/11	66	62	✣Flogas 10p	65	...	uQ3.8%	3.6	3.6	10.5
123	F.P.	16/12	127	118	✣FrenchConnect'n 5p	126	.....	bd5.9	2.7	4.4	11.7
§91	F.P.	25/11	81	76	✣Imtec Group 10p	76	–1	u2.1	2.5	4.0	11.3
§ 45	F.P.	25/11	46	44	✣Laidlaw Group 10p	45	.....	b2.5	2.6	7.8	6.5
¶220	F.P.	18/2	265	226	Logica 10p	260	+3	u1.0	5.9	0.6	33.4
§96	F.P.	16/1	101	85	✣Mcbon 10p	96	.....	b3.4	2.0	5.1	13.3
§90	F.P.	16/12	109	97	✣Page (Michael) 5p	108	.....	b1.4	3.3	1.9	25.4
§85	F.P.	21/12	105	95	✣Peters (Michael)	98	..	u1.7P	1.7	2.6	25.8
§26½	F.P.	6/1	30	27	✣Protimeter 5p	30	+1	u0.7	2.7	3.3	16.7
§90	F.P.	—	92	82	✣Toy Homes	92	.	u4.1	2.1	6.4	9.4
185	F.P.	11/11	238	214	Telemetrix 5p	238	...	b1.4	5.5	0.8	31.0
¶110	F.P.	16/12	158	108	✣V. W. Thermax	133	–2	u5.25	1.8	5.6	17.0
§IR84	F.P.	9/12	185	173	✣Woodchester Inv. IR20p	175	...	Q19.3%	4.1	1.7	15.0
—	F.P.	—	28	24	Witan Inv. Wrrnts	24	...	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or –
99.296	F.P.	26/11	104½	67	Allied Lyons 11¾% Deb 2009	103½	–¼
96.736	£25	16/2	30⅛	25¾	Australia 11⅝ pc. Ln. 2015	29	..
100	F.P.	2/1	102	101½	Bristol Waterworks 6.5% Red. Prf. 1988	102	..
¶	F.P.	25/11	105	100	Crosby Hse. 13½ pc. Ln. '87/90	100	..
¶	F.P.	—	117	115	Crystalate 8½% Cnv. Ln. 2003	117	....
•	F.P.	6/1	107p	96p	Fisher (A.) 7% Cnv. Prf.	106p	..
100	F.P.	—	90½	90	Gen. Finance N/V 11.31% Ln. 2007	90½	+½
99.714	£30	26/4	32½	30	Int. Bk. for Rec. & Dev. 11.6% Ln. 2003	31¼	–½
97.268	£25	23/1	29⅛	25	Ireland 12¾% 2008	29	–⅛
¶100p	F.P.	9/12	114p	100p	LASMO 9¼% Cum Red Pref.	112p	–1
‖	£30	10/11	39	30½	Lon. Shop Prop. 9pc Cnv. 94-99 Ser II.	39	+½
§100	£10	—	11½	10¼	Mid Kent Wtr. 12pc. Red Deb. 1993	11½	....
—	F.P.	—	100⅜	99⅞	Nationwide 10⅛% Bds. 2/10/84	100	....
—	F.P.	—	100⅛	100	Do. 10⅛% Bds. 5/11/84	100⅛	..
—	F.P.	—	100⅛	99⅞	Do. 10⅛% Bds. 3/12/84	100⅛	+⅛
100	£10	3/2	12	12	Sund'ld + S.ShieldsWtr 6½pcROF. 1989	12	....
§100	£10	—	11½	10¼	Tend. Hundred Wtr. 12pc Red Deb 1993	11½	....
¶99½	£10	—	18	11½	West Kent Wtr. 6.25pc Red Pref. 1988	12	....

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price p	+ or –
346	Nil	—	—	60pm	46pm	✣Air Call	60pm	......
140	Nil	—	—	10pm	4pm	Aitken Hume	10pm	+...
7	F.P.	—	15/12	9½	7¾	Amal. Estates 5p	9	–½
58	F.P.	—	19/12	74	54	Arrow Chemicals	74	....
86	Nil	—	—	8½pm	6pm	Barget	7pm	+1
75	F.P.	—	24/11	88	75½	Britannia Arrow	88	....
82	F.P.	—	9/12	90	85	Cartwright (R.) 10p	90	....
62	Nil	—	13/1	9pm	4pm	Charterhall 5p	9pm	+2
¶310	F.P.	—	22/11	334	330	F.& C. Enterprise Units 10p	333	....
100	Nil	—	—	21pm	16pm	Heywood Williams	21pm	....
18	F.P.	—	30/11	13	12	✣Humberside Elect. 10p	12	....
30	F.P.	—	9/12	35	31	✣Inn Leisure 5p	34	....
120	F.P.	7/11	9/12	156	127	MFI Furniture 10p	151	....
25	Nil	—	30/12	6pm	3pm	Manson Fin. 20p	6pm	+1
25	Nil	—	—	5pm	3pm	Ohilcom 10p	5pm	—
96	Nil	—	16/1	8pm	6pm	✣Pineapple Dance 10p	6pm	..
14	F.P.	—	28/11	19½	16½	Raine Inds. 10p	18	....
85	F.P.	—	4/1	107	90	Ward White	102	....
‖	—	—	21/11	169	135	Western Mining Options	167	....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ‡ Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3). ✣ Unlisted Securities Market. *Comprising of 10 New ordinary plus 1 Series B Warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Allied Colloids	Jan 12	Interim 0.65	Land Merchant Securities	Dec 16	Interim 0.5
Assoc Leisure	Nov 30	Interim 2.0	*Lond & Midland Industrials	Dec 8	Interim 2.9
Assoc Newspapers	Jan 14	Finals 6.9	Magnet and Southerns	Jan 12	Interim 1.7
Asset Paper Industries	Dec 16	Final 2.8	*Meyer International	Dec 13	Interim 1.5
*Avon Rubber	Dec 7	Final nil	Norcros	Dec 13	Interim 2.08
*BOC	Dec 8	Final 3.14	*Northern Foods	Dec 14	Final 3.75
*Baker Perkins	Dec 12	Interim 2.1	*Pegler-Hattersley	Dec 7	Interim 4.0
*Bass	Dec 8	Final 7.44	*Pilkington Bros	Dec 7	Interim 5.0
*Brown (Matthew)	Dec 5	Final 5.55	*RHM	Dec 6	Final 2.333
*Carless Capel	Dec 6	Interim 1.0	*RHP	Dec 12	Final 2.0
*Coalite	Dec 6	Interim 1.55	Raybeck	Jan 7	Interim due
Common Bros	Nov 22	Final nil	Ranold	Nov 25	Interim nil
Daily Mail and Gen Trust	Jan 14	Final 20.0	*Saatchi and Saatchi	Dec 8	Final 5.2
*Distillers	Dec 15	Interim 4.5	Samuel (H.)	Jan 10	Interim 1.5
Electronic Rentals	Jan 6	Interim 1.1667	*Scottish and Ncastl Brws	Dec 14	Interim 1.5
*English China Clays	Dec 15	Final 5.2	Stakis	Jan 11	Final 1.26
*Ferranti	Dec 5	Interim 1.8	Stead and Simpson	Jan 11	Interim 1.0
Fine Art Devs	Dec 1	Interim 1.1	Tecalemit	Dec 7	Interim 0.8
*GEC	Dec 12	Interim 1.0	Thorn EMI	Jan 14	Interim 4.05
*Grand Metropolitan	Dec 22	Final 4.875	*Trafalgar House	Dec 8	Final 3.7
GUS	Dec 9	Interim 5.0	*Unigate	Dec 15	Interim 2.5
*Greenall Whitley	Dec 8	Final 1.986	*Union Discount	Jan 25	Final 17.0
*Greene King	Dec 16	Interim 1.3	*Vaux Breweries	Dec 6	Final 5.5
*Hall (Matthew)	Dec 7	Interim 1.196	*Wedgwood	Dec 16	Interim 1.75
*Hanson Trust	Dec 7	Final 3.5	*Westland	Dec 14	Final 4.75
Haslemere Estates	Dec 16	Interim 1.9	Whessoe	Dec 16	Final 3.0
Hogg Robinson	Jan 11	Interim 3.0	Whitecroft	Dec 13	Interim 1.4
*IC Gas	Dec 13	Interim 3.0	*Wolverhampton & Dudley Brws	Dec 7	Final 4.25
*Intasun Leisure	Dec 13	Interim 1.4			
Johnson and Firth Brown	Dec 21	Final nil			
Kenning Motor	Jan 11	Interim 3.75			
*Lennons	Dec 8	Interim 0.25			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RESULTS AND ACCOUNTS IN BRIEF

WAREHOUSE GROUP (fashion boutiques) (formerly Evans & Owen) Turnover £2.08m (£1.73m) for the six months to the end of September 1983. Pre-tax profits £104,000 (£85,000). Tax nil (£21,000). Earnings per 25p share 15.9p (13.4p).

ABACO INVESTMENTS (property investment and financial services)—Certain amendments proposed to trust deed of 6½ per cent first mortgage debenture stock 1987-92. In return coupon will be raised to 8¾ per cent from December 20, date of meeting at which stockholders to vote.

CHEPSTOW RACECOURSE—Pre-tax profits for six months to June 30, 1983, £499 (£333); tax £200 (£133). No interim dividend—a single payment of 4p was made last year; earnings per share 0.07p (0.04p).

S. SIMPSON (tailor and clothier)—Results for the year to the end of July 1983 reported on October 31. Fixed assets £3.35m (£3.31m). Shareholders' funds £9.01m (£8.55m). Net current assets £6.29m (£5.84m) including stocks £7.7m (£6.2m) and debtors £4.78m (£4.06m). Net increase in working capital £424,000 (decrease £490,000). Mr J. P. N. Menners, chairman, says that while the future is never easy to predict, the company has set itself a still higher target for next year and approaches the challenge with confidence. The company is a close company. Meeting: 34 Jermyn St. SW, on December 20, at noon.

LONDON CREMATION COMPANY—Pre-tax profits for six months to September 30, 1983, £37,501 (£31,617).

WINTERBOTTOM ENERGY TRUST—Net asset value on November 25, 1983, was 83.5p after deducting prior charges at par, and 85.7p after deducting prior charges at market value.

COUNTRY GENTLEMEN'S ASSOCIATION—Pre-tax profits for six months to September 30 1983 £120.5.. (£84,599), turnover £1.16m (£1.01m).

Closing prices December 2

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	8½	AAR	.44	3.2	18	14	13⅝	13⅜	13⅝	-⅛
52⅞	29½	ACF	1.40	2.8	240	273	50½	50¼	50½	
18⅞	14¼	AMF	.50	3.2		795	15¾	15⅞	15½	-⅛
39¾	18⅝	AMR Cp			18	3685	37⅝	36¾	36⅝	-1
19½	15	AMR	pf2.10	11		8	19⅛	19⅛	19⅛	+⅛
40¾	24⅞	AMR	pf2.13	5.6		97	38⅝	37¾	38⅛	-¼
16¾	3⅞	APL			32	179	14⅞	14½	14¼	-¼
55	21¾	ARA	2.05	3.8	12	230	u55¼	53¾	54¼	+¾
79⅞	50¾	ASA	3a	5.9		442	56⅞	55⅛	55⅛	-⅛
33⅞	14	AVX	s .32	1.2	41	23	28	27¼	27¼	-1
53⅞	36⅞	AbtLab	1	2.3	18	6039	44	45	43⅞	+1⅛
30⅞	23¼	AccoW	n .63	2.2	20	63	27⅛	27	27	+⅛
27½	16¾	AcmeC	.40	1.6		29	26	25⅞	25¾	
14⅞	7⅞	AcmeE	.32b	2.6	625	69	12½	11¾	12½	+⅛
24⅞	8⅞	AdmDg	.04	.2	19	21	21	20⅞	21	+⅛
18⅞	15	AdaEx	1.73e	9.5		27	18⅞	18¼	18⅛	-⅛
18⅜	7⅛	AdmMl	.24	1.5	8	22	15¾	15½	15½	-⅛
18⅞	8⅞	Advest	.12	.9	8	51	13	12⅞	12⅞	+⅛
35½	10⅞	AMD	s		57	8092	33¼	32⅞	33¼	+⅛
24⅞	12⅞	Aerflx	s		18	133	15½	15⅛	15½	
43½	32⅞	AetnLf	2.64	7.2	9	2217	36⅞	36⅛	36½	-⅛
[illegible]										

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices December 2

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅞	8⅝	AAV	.32	2.0	12	17	16⅛	15¾	16⅛	+ ⅛
4⅞	2⅛	AICPh				4	2⅜	2¼	2¼	
6⅝	1¾	ATI				40	2	1⅞	1⅞	− ⅛
12¼	2⅛	AcmePr			9	45	6⅛	5½	6⅛	+ ⅛
19½	12	AcmU.	a.32	2.0	18	6	16⅛	16	16⅛	+ ⅛
14½	4⅝	Acton	s		6	359	12	10⅞	11⅛	−1
12	6¾	Acton 6	.11	14	25	32	7½	7⅜	7⅛	
6½	1½	Acln	wt			62	3½	3⅛	3⅜	+ ⅛
6	1⅛	AdmRs				28	3¼	3⅛	3⅛	− ⅛
3-32	1-32	AdmR	rt			576	[illegible]	1-32	1-32	−1-32
30⅞	17⅛	AdRusl	s.10	.4	15	20	23⅜	23½	23⅞	− ⅜
28⅞	14⅜	Adobe	.24	1.2	13	47	19⅛	18⅜	19½	+1
5⅞	2⅛	AegisCp			14	71	4	3⅝	4	+ ⅜
7	4	Aeronca			7	24	5½	5¼	5¼	− ⅛
17½	5¼	AffSts			9	16	12⅛	12	12	− ⅛
15½	5⅞	AirExp				39	6⅜	6⅛	6⅛	− ⅛
6⅞	4⅜	Alamc	n		6	20	4⅜	4⅜	4⅜	− ⅛
23⅜	5⅝	AlbaW	.15e	1.1	9	11	13⅝	13⅜	13⅜	− ⅜
12¼	3	AlnTr	s			12	4⅞	4⅝	4⅞	+ ⅛
12⅞	7⅜	AlmyGs		1.6		9	12½	12⅜	12½	+ ⅜
10⅞	5⅜	AlphaA				4	7¼	7⅛	7⅛	
28⅞	16⅝	Alphain	.05	.3	26	23	19⅝	18⅝	19⅝	+ ⅛
2⅞	1⅛	Altex				86	1⅛	1½	1⅛	
11-16	1-16	Altex	wt			40	⅛	⅛	⅛	− ⅛
37	28½	Alcoa	pf3.75	11.		250	34	34	34	
32½	14⅜	AlzaCp				177	15⅛	17⅞	15	
29⅜	13⅛	Amdhl	s.20	1.1	29	1513	18	17½	17⅞	− ⅛
25⅞	6⅝	Amedc	s.08	.6	19	37	14½	14⅜	14⅜	− ⅛
7½	3½	AEIR	n.15	2.9	14	2	5¼	5¼	5¼	
5	2	AmCap			39	12	3⅝	3½	3⅝	+ ⅛
44⅛	20⅛	AExp	wt			46	24⅜	23⅜	23⅞	− ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 26

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30½	31⅛	WiscPS	2.32	8.2	7	53	28⅛	28⅛	28⅛	
37	17⅛	Witco	s1.32	3.8	11	305	35⅛	34⅝	35⅛	− ⅛
29⅞	14⅛	WolvrW	.48	3.1	9	462	15⅝	15	15⅜	− ⅛
43⅞	22	Wometl	s.44	1.0	26	45	42½	42⅛	42⅛	+ ⅛
29½	16⅛	WoodPt	.60	2.6	16	169	24⅛	23⅛	23⅛	− ⅝
39⅞	22⅝	Wolwth	1.80	4.7	9	217	38⅛	38	38	− ⅛
54⅝	32	Wolw	pf2.20	4.0		1	54½	54½	54½	+ ⅛
7⅞	2⅞	WrldAr				10	5⅛	4⅞	4⅞	− ⅛
56¼	38½	Wrigly	1.44a	2.6	11	17	54⅜	53⅝	54⅛	+ ⅛
8⅛	3⅛	Wurltzr				117	8⅛	7⅛	7⅛	− ⅛
24⅛	6½	WyleLb	.24	1.0	89	163	24	23⅛	23⅛	− ⅛
17⅞	9	Wyly				270	11⅝	11⅜	11½	+ ⅛
22⅛	14	Wynns	.60	3.0	17	37	20½	20	20	− ⅛
		X-Y-Z								
50	36	Xerox	3	6.2	11	1785	48⅛	48	48⅛	− ½
53⅝	49⅛	Xerox	pf5.45	11.		535	49⅝	49⅛	49⅛	− ⅛
37	18⅛	XTRA		1.8	30	383	36	35⅛	36	− ⅛
34	20⅛	ZaleCp	1.26	3.8	19	31	33⅛	33⅛	33⅛	− ⅛
21⅞	14⅝	Zapata	.84	5.1	7	428	16⅝	16⅛	16⅝	
52¼	28¼	Zayre	s.30	.8	15	328	47	46⅝	46⅞	− ⅛
35⅛	12⅛	ZenithR			40	436	34½	34⅛	34⅜	− ⅛
38⅛	22⅛	Zero	s.48	1.4	21	4	34⅝	34⅝	34⅝	− ⅛
37⅞	24⅛	Zurnir	1.32	4.4	10	598	29⅝	27⅛	29⅛	+ 2⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

Indices

AUSTRIA

1983 High	Low	Dec. 9	Price %
222	296	Cre9it'stalt Pfe	010
370	191	Goesser	517
410	352	Intersunfall	419
917	201	Laen9erbank	210
400	955	Perlmooser	313
179	145	Steyr Daimler	140
282	171	Veltscher Mag	00!

BELGIUM/LUXEMBOURG

1983 High	Low	Dec. 2	Price Frs.
1,435	280	ARBEO	1,170
4,750	3,766	Bank Int A Lux	4,540
3,300	9,939	Bekaert B.	2,065
2,990	1,395	Ciment BR	1,275
162	86	Cockerill	139
4,715	5,660	9elhaize	4,600
9,325	1,875	EBE9	0,405
6,450	4,460	Electrobel	6,140
2,900	2,065	Fabrique Nat	2,130
6,200	2,710	GB Inno BM	3,036
2,425	1,439	GBL (Bruxl)	2,190
9,920	1,740	Gevaert	9,920
3,080	3,600	Noboken	4,950
2,000	1,799	Intercom	1,845
6,516	4,300	Kre9ietbank	5,900
2,250	4,300	Pan Ni92s	8,980
6,040	4,619	Petrofina	5,819
7,240	6,919	Royale Belge	6,880
5,000	9,305	Soc. Gen. Banq	9,810
2,025	1,200	Soc. Gen. Belge	1,625
5,276	5,755	Sofina	5,100
3,460	9,180	Solvay	5,239
3,566	2,645	Tractionel	5,160
4,980	9,699	UCB	4,086
4,400	2,210	Vieille Mont.	5,395

DENMARK

1983 High	Low	Dec. 0	Price %
656.4	539.6	AarhusOlie	440
320	169	An9elsbanken	289
699	521	Baltica Skand	513
500	178.6	CopHandelsbank	263
691	986.8	D. Sukkerfab	662er
529.6	127	Danske Bank	597
188	89.5	East Asiatic	147
1,350	650	Forenede Bryg.	1,329
999	148	Forenede Damp.	179
557	176	GNT Hldg.	535
783	070	I.S.S.B.	710
650	997	Jyske Bank	564
3,495	1,235	Novo Ind.	6,185
524	183.4	Privatbanken	284
335	157.6	Provinsbanken	310
324.8	179	Smidth (FL)	254
1,072	593	Sophus Beren9.	955
514	97.2	Superfos	493

ITALY

1983 High	Low	Dec. 2	Price Lire
31,200	08,496	Banca Com'le	96,900
253	137.6	Bastogi IRBS	175
9,690	1,040	Centrale	1,250
6,167	3,699	Credito Varesino	3,890
5,278	1,635	Fiat	3,185
77	36.2	Finsider	43
147,450	104,125	Generale (Assic)	134,100
3,052	1,920	Invest	2,997
48,200	27,600	Italcementi	43,850
034.8	92	Montedison	913.9
5,539	1,901	Olivetti	6.755
6,099	2,316	Pirelli Co.	0,710
1,850	1,173	Pirelli Spa	1,488
1,229	671	Snia BPD.	1,253
16,999	9 979	Toro Assic.	11,000
10,500	6,960	do. Pref	8,020

NETHERLANDS

1983 High	Low	Dec. 2	Price Fls
174.6	98	ACF Holding	168
183.5	123	Ahold	178
89.9	64.9	AKZO	88.6
409	093.0	ABN	365
166	100.0	AMEV	155
66.8	41.9	AMRO	80.5
900.0	143.6	Bredero Cert	175.5
39.3	09.9	Boskalis Westm.	40.4

HONG KONG

1983 High	Low	Dec. 2	Price H.K.$
65.25	15.5	Bank East Asia	12
0.87	0.87	Carrian Invest.	0.87
10.2	5.7	Cheung Kong	6.9
17.0	2.9	China Light	11.6xo
3.30	1.27	Hang Lung Devel.	1.38
64.5	28.8	Hang Seng Bank	37
6.35	4.4	HK Electric	6.4
4.60	8.47	HK Kowloon Wh.	3.87
5.00	2.26	HK Land	2.82
8.77	2.4	HK Shanghai Bk.	6.95
32.75	28.5	HK Telephone	34
15.2	8.00	Hutchison Wpa	13.7
16.1	7.9	Jardine Math.	11
6.75	2.00	New World Dev.	2.7
3.0	2.22	Orient O'seas	2.67
6.1	9.3	O'seas Trust Bk.	9.72
7.25	4.08	SKN Props	4.66
17.2	8.15	Swire Pac A	14.4
4.10	2.30	Wheel'k Mard A.	9.92
2.40	1.65	Wheel'k Marit'e	1.73
1.93	1.12	World Int. Hldgs.	1.48

JAPAN

1983 High	Low	Dec. 6	Price Yen
1,180	606	Ajinomoto	1,050
2,790	1,610	Alps Electric	9,820
968	615	Amada	955
412	292	Asahi Chem.	373
675	510	Asahi Glass	885

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

CONSTRUCTION CONTRACTS

£13m housing orders for John Mowlem

Housing contracts in the south east worth £13.6m have been won by JOHN MOWLEM. At Forest Park, Bracknell, there is a £6.02m contract for a mixed development of 164 homes for Bracknell District Council. Work comprises 123 two, three and four-bedroom houses, with 41 flats. Work has started for completion in November 1985.

At Bayonne Road, Hammersmith, two contracts totalling £4.3m have been placed by Abbey Housing Association, with Hammersmith and Fulham Borough Council for a mixed development of 78 flats and 47 houses with garages and ancillary works. The scheme is partly for sale to the public and part to Hammersmith and Fulham Council. Completion of the scheme is due in March 1985.

At Heath Road, Lambeth, work has started on a £3.4m contract for 109 two-storey houses and flats, with roads, sewers and hard-standing for cars for the London Borough of Lambeth. Work is scheduled for completion in June 1985.

Matthew Hall wins £31m work

The mechanical and electrical sector of MATTHEW HALL has been awarded contracts in the UK and in Australia worth about £31m. Contracts for mechanical and electrical services include a new 66,000 sq ft office development at Crutched Friars, EC3; electrical work in a commercial and residential development at New City Court, SE1; and road lighting for a section of the M25. Orders in Scotland are for services in a shopping development at Waverley Market, Edinburgh; at the 250 bedroom Edinburgh Sheraton Hotel and in microchip facilities buildings for Motorola, East Kilbride. In Australia orders include services for the 570 bedroom Inter-Continental Hotel, Sydney; electrical and fire engineering services in the Parliament House project, Canberra; air conditioning and plumbing services for the new National Australia Bank building and head office of the State Bank of New South Wales, Sydney and an electrical services contract for a Government project in Queensland.

*

BALFOUR BEATTY CONSTRUCTION has been awarded two contracts with a combined value in excess of £1.1m. Liverpool Racket Club has placed a contract worth £942,000 for the conversion of Hargreaves Buildings, Chapel Street, Liverpool, into club premises. Work involves the demolition and refurbishment of a three-storey listed building. On completion, it will incorporate squash courts, snooker room, dining room, bars and other leisure facilities. The contract is expected to be completed in 68 weeks.

The London Midland Region of British Rail has awarded a contract valued at £217,000, involving construction of three reinforced concrete ramps on platforms 1-3 and 4-6 at Derby Station. Alterations to the existing subway, provision of modular buildings and alterations to existing buildings are included in the work. The contract commenced in November for a duration of 24 weeks.

*

Extensions and alterations to bus workshops at Leeds head a list of contracts, together worth £6m, awarded to TARMAC CONSTRUCTION. The Leeds contract, for West Yorkshire Passenger Executive, is for work at Kirkstall bus workshops and is valued at £1.5m. Two projects have been awarded to Tarmac Cubitts (Scotland), a new bank at Dunfermline, for the Royal Bank of Scotland (£940,000) and environmental improvements, for Edinburgh District Council (£263,000).

Other contracts awarded to Cubitts, part of Tarmac Construction, include refurbishment and other work in Westbourne Grove, London, for Lloyds Bank (£347,000); external redecorations in Park West, Edgware Road, London, for Firstcross (£306,000); an office and other work at Manchester Airport, for BP Oil (£306,000); and alterations to a technical college at Blackburn, for Lancashire County Council (£233,000).

Tarmac Construction contracts include modernising 54 homes at Edlington, Doncaster, for Doncaster Borough Council (£801,000); industrial units at Canley, Coventry, for University of Warwick Science Park (£793,000); a distribution depot at Eastleigh, Hampshire, for Unigate Dairies (£391,000); and a relief road at Blyth, Northumberland, for Northumberland County Council (£309,000).

*

TURRIFF CONSTRUCTION has four contracts totalling £5.25m. The largest, worth £3.8m, has been awarded by the Property Services Agency for a training college and central building at Stone, Staffordshire for British Telecom. Turriff Properties has awarded a £80,000 contract for an extension to a workshop for Nicolet Instruments at Budbrooke Road, Warwick. South Kesteven District Council has awarded a £1m-plus contract to refurbish 116 homes at Walton Gardens, Grantham. Last is a contract awarded by Phoenix Housing Association for the refurbishment of six town houses at Stockton on Tees, worth over £79,000.

*

Raising the roofs of 657 Birmingham homes is the latest challenge facing JOHN LAING CONSTRUCTION. In Richmond Road, Soho Hill, work has already started on two, 52-week contracts totalling more than £3.3m. As new roofs go on 268 homes associated work and drainage will also be carried out to 86 others. Stripping and replacement of roof tiling to 387 houses in Bells Lane will be done under a £701,500 contract lasting 20 weeks. A new roof structure will be formed above the existing and new insulation will be installed. All the work is being undertaken for the City of Birmingham.

INSURANCE

Radical changes sought at Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

BUSINESS practice in the Lloyd's insurance market faces dramatic changes following recommendations set out in a controversial internal report.

The report, prepared by Mr Anthony Colman, QC, and Mr Stephen Hailey, an accountant with Arthur Andersen, studied the relationship of managers of eight Lloyd's insurance syndicates, Mr Raymond Brooks and Mr Terence Dooley, with the Fidentia Marine Insurance Company of Bermuda, a company in which Mr Brooks and Mr Dooley were the main shareholders.

The report concluded that reinsurance contracts had been arranged by Mr Brooks and Mr Dooley in a way which would provide financial benefit to Fidentia at the expense of the Lloyd's syndicates which they managed.

According to the Mr Colman and Mr Hailey there were several issues to resolve relating to the present practice in the Lloyd's market before they could come to any firm conclusions about the conduct of the two managers.

They said: "We doubt whether until the last few months more than a handful of those in the Lloyd's market have appreciated that there might be anything remotely wrong in an active underwriter effecting reinsurance of his syndicates with a reinsurance company in which he or those who employed him had an interest." Conflicts of interest and possible breaches of fiduciary duty to Lloyd's syndicates could arise, they observed.

They added that the failure "to perceive this underlying principle has not been confined to underwriters" and suggest that advisers to the Lloyd's professionals such as accountants had also failed to appreciate the point.

Moreover, the investigators said: "A requirement that syndicates themselves should not effect reinsurance with companies of which the majority of the voting shares was owned by the syndicate was introduced by market circular in February 1971, shortly after the formation of the Fidentia."

Fidentia, however, was not owned by the syndicates owned by Mr Brooks and Mr Dooley. It was set up in 1970 by Mr Brooks through a holding company which also controlled the Lloyd's underwriting interests of Mr Brooks and Mr Dooley.

So Fidentia was not owned directly by the Brooks syndicates and therefore was not in breach of the 1971 ruling. The investigators said: "The reality has to be faced that if Mr Brooks and Mr Dooley are to be charged with misconduct even of the least serious kind referred to in the by-laws merely because they had in operation a reinsurance company with which they effected reinsurance of their syndicates and thereby engendered incidental profits, they will be penalised for doing something which we believe for most of the period under investigation would not have been regarded as any kind of misconduct by most of the working members of Lloyd's."

Although the report found that there had been "substantial misconduct" under Lloyd's by-laws by Mr Brooks and Mr Dooley it concluded that the story of Fidentia "illustrates the unavoidable perils associated with all related party reinsurance transactions."

Control by syndicate underwriters over a reinsurance company "will almost inevitably also give rise to abuses of the underwriter's fiduciary duty to his syndicate. We find it almost impossible to envisage a situation where there would not be danger of such abuses."

Because conflicts of interest can and do exist in this relationship the investigators recommend "that as soon as possible Lloyd's should impose a comprehensive prohibition on all future related part reinsurance transactions."

Disclosure to members of the syndicates about such transactions is not enough. "The vast majority of names (members) would not have sufficient information to evaluate or appreciate the possible significance of such transactions."

For Lloyd's the recommendation poses an enormous regulatory problem. First, the report suggests that the practice carried out by the underwriting managers and their relationship with an offshore company is fairly extensive within the market and accepted by the community.

Moreover, the investigators appear to be concerned that to operate draconian measures against some underwriters operating the practice while allowing others to escape would be unfair. "It would obviously be very unjust to prohibit such transactions involving one group of syndicates while allowing others to continue."

"We therefore consider that any prohibition of continued dealing between the Brooks syndicates and Fidentia should be accompanied by general notification by Lloyd's that related reinsurance transactions should no longer be effected."

Lloyd's will have to decide how such measures should be implemented. More important, it will have to decide how secret profits gained by the market's professionals through their undisclosed relationship with offshore companies are to be refunded to the members of Lloyd's.

The council also has to decide what disciplinary programme it is to launch as and when abuses of the relationship become apparent. The investigators said: "Related party reinsurance transactions appear from the evidence before this committee to be by no means uncommon in the Lloyd's market."

This issue will prove the first real challenge to the effectiveness of Lloyd's regulatory and disciplinary machinery.

International garden festival set to attract 3m

By Ian Hamilton Fazey

BRITAIN'S first international Garden Festival will meet its target of 3m visitors next year, according to new research by Gallup.

The £30m event on Merseyside seems certain to be a success. With France's agreement to join, 31 countries will be exhibiting, compared with 22 at this year's event in Munich and 14 at last year's in Amsterdam.

Commercial sponsorship for the festival is worth £1.5m. It includes £80,000 from Unilever's for a Victorian garden.

This week's business in Parliament

TODAY

Commons: Rating and Valuation Amendment (Scotland) Bill (Second Reading). Motions relating to the Supplementary Benefits (Single Payments) Amendment Regulations.

Lords: County Courts Bill (Second Reading). Equal Pay (Amendment) Regulations 1983; Motion for Approval. Matrimonial and Family Proceedings Bill (Committee). Fosdyke Bridge Bill (Second Reading).

Select Committee: Public Accounts: Subject—Memorandum from the Comptroller and Auditor General: Manpower Control: review and need for work. Witnesses: HM Treasury: Mr Alan Bailey CB, Second Permanent Secretary. Cabinet Office: Mr Peter Le Cheminant CB, Second Permanent Secretary (Room 16, 4.45 pm).

TOMORROW

Commons: Education (Grants and Awards) Bill (Remaining Stages). Debate on the First Report from the Select Committee on Procedure (Finance) 1982-83.

Lords: Debate on the importance of the Falkland Islands and other British islands in the South Atlantic. Debate on the first Report of the European Communities Committee on Sewage and Sludge in Agriculture.

Joint Committee on Statutory Instruments (Room 4, 4.15 pm).

WEDNESDAY

Commons: Until about 7 pm, Town and Country Planning Bill (Second Reading). Followed by debate on EEC documents on fisheries. Motion on European Community (document No. 10322/82). Protection of Workers from Noise at Work.

Lords: Debate on situation of the ethnic and religious minorities in Great Britain. Prohibition of Female Circumcision Bill (Committee). Unstarred question on the closure of psychiatric hospitals in Epsom, Surrey.

Select Committees: House of Commons (Services): Computer sub-committees: Subject — Information Technology, Members' requirements. Witnesses: Dr Jeremy Bray MP and Mrs Paddy Ashdown MP (room 8, 4.15 pm).

Public Accounts — Subject: Memorandum from the Comptroller and Auditor General: Manpower Control; reviewing the need for work. Witnesses: Department of the Environment: Sir George Moseley KCB, Permanent Secretary. HM Customs and Excise: Mr Angus Fraser CB, chairman. Department for National Savings: Mr Stuart Gilbert, Director (room 16, 4.15 pm).

THURSDAY

Commons: Motion on the Appropriation (No. 3) (Northern Ireland) Order and on the Northern Ireland (Emergency Provisions) Act 1978 (Continuance) (No. 2) Order.

Lords: Debate on public televising of some of the proceedings of the House for an experimental period. Unstarred questions on gas and electricity prices.

FRIDAY

Commons: Private Members' Bills.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
London and St Lawrence Inv, Denston House, 17-21 Mark Lane, EC, 12.30
Paterson Zochonis, Midland Hotel, Peter Street, Manchester, 12.00
Tyzack (W.A.), Hallam Tower Hotel, Sheffield, 10.30

BOARD MEETINGS—
Finals:
Baynes (Charles)
Brown (Matthew)
Dubilier
Interims:
Aitken Bros (Hosiery)
Birmingham Mint
Brenner
Brownlee
Celestion Inds
Control Securities
Erskine House
FKI Electricals
Ferranti
[illegible]
Kleen-E-Zee
Lyles
Merrydown Wine
[illegible]
Toothill (R.W.)
Vinten
Wilson Ind

DIVIDEND & INTEREST PAYMENTS—
AB Electronic Prods 6p
Bell (Arthur) 2.05p
City of Oxford Inv Tst 2p
Croda Intnl 3p
Eyre (Wimbledon) 1p
Fothergill and Harvey 2.75p
Gillette 61cts
Korea Dev Bank Fltg Rate Nts 1989 $52.55
[illegible] 0.5p
New Ireland Ass 3.25p
Office and Electronic Machines 2.5p
Paterson Zochonis 3.42p. Do A NV 3.42p
[illegible] 0.1p
Sears 0.7p
Secs Tst of Scotland 1.1p
Tameside 10¼pcRed 1984-85 5¼pc
Telephone Rentals 2p
Vanbrugh Currency Fund Ptpg A Red Pf 4p. Do Ptpg B Red Pf 4p

TOMORROW

COMPANY MEETINGS
OPCE, Howard Hotel, Temple Place, WC, 12.00
Guildhall Property, Institute of Directors Business Centre, 118, Pall Mall, SW, 12.00
Linread, Birmingham, Chamber of Industry and Commerce, 75 Harborne Road, Birmingham, 12.00
London and Strathclyde Tst, 2 St Mary Axe, EC, 3.00
Scottish Metropolitan Property, Albany Hotel, Glasgow, 11.30

BOARD MEETINGS—
Finals:
Archimedes Inv Tst
Baggeridge Brick
City Site Estates
Greenall Whitley
Lucas
Ranks Hovis McDougall
Trafalgar House
Vaux Breweries
Interims:
Butterfield Harvey
Carless Capel & Leonard
Geevor
[illegible]
Utd Leasing

DIVIDEND & INTEREST PAYMENTS—
[illegible]

WEDNESDAY DECEMBER 7

COMPANY MEETINGS—
[illegible]
Kalamazoo, Northfield, Birmingham, 11.30
Lawtex, Bower Hotel, Hollinwood Ave, Chadderton, Oldham, 12.00
Low (Wm), Baird Ave, Dryburgh Industrial Estate, Dundee, 12.00
Medminster, 3 Whitehall Court, SW, 11.30
SI Group, Imperial Way, Airport Industrial Estate, Croydon, Surrey, 12.00

BOARD MEETINGS—
Finals:
Avon Rubber
Crystalate
Devenish (J.A.)
Hasson Tst
Nardanger Props
Keystone Invs
Wolverhampton & Dudley Breweries
Interims:

DIVIDEND & INTEREST PAYMENTS—
Allied Leather Inds 1.75p
Hamilton Oil Great Britain 1p
Assoc British Engineering
Braithwaite Engineers
Dixon (David)
Deritend Stamping
Equity Consort Inv Tst
Greycoat City Offices
Hall (Matthew)
Hampton Tst
Latham (James)
Pegler-Hattersley
Pilkington Bros
Property & Reversionary Invs

DIVIDEND & INTEREST PAYMENTS—
Akzo NV (Reg) Fl 1, Do (Br) Fl 1, Do Br Certs Fl 1
Alcan Aluminium 22.5cts
Barr & Wallace Arnold Tst 2p, Do A 2p
[illegible]

THURSDAY DECEMBER 8

COMPANY MEETINGS—
Allied London Properties, The Inn on the Park, Hamilton Place, Park Lane, W, 12.00
[illegible]

BOARD MEETINGS—
Finals:
BOC
[illegible]
Stenhouse
Williamson Tea
Interims:
British & American Film
British Building & Engineering Appliances
British Tar Prods
Brown (N.) Invs
Cooper (Fredrick)
Crosby Woodfield
Lennons
London & Midland Inds
Mitchell Somers
Russell (Alexander)
Wellman

DIVIDEND & INTEREST PAYMENTS—
Jessel, Toynbee & Gillett 2.13p
Kalamazoo 2.5p
Reed Intnl 5pcPf 1.75p. Do 7pcPf 2.45p. Do 5¼pcRedLn 2⅝pc. Do RedLn 3¼pc
Rolinco NV Br Fl 7.40. Do Sub-Shares (Rng Nat Prov Bank) Fl 0.74. Do Sub-Shares (Rng in other names) Fl 0.74
Sinclair (William) 2.75p
Thorpe (F.W.) 1.85p

FRIDAY DECEMBER 9

COMPANY MEETINGS—
Austin (James) Steel, Thornhill Steelworks, Dewsbury, W, 10.30
Derry Tst, Park House, 10, Finsbury Circus, EC, 12.30
Burgess Products, Brookfield Road, Hinckley, Leicestershire, 12.00
Caskel (S), Midland Hotel, Peter Street, Manchester, 12.30
[illegible]

BOARD MEETINGS—
[illegible]

DIVIDEND & INTEREST PAYMENTS—
[illegible]
Photo-Me Intnl 6.3p
Purolator 30cts
Rush & Tompkins 2p
Squibb 36cts
Sun Co 57.5cts
TR City of London Tst 0.675p
Texaco 75cts
Toray Inds Y2.75. Do Bdr (Iss Warburg) Var Y3
Toshiba Y3.5
Warner-Lambert 37cts
Yorklyde 6p

SATURDAY DECEMBER 10

COMPANY MEETINGS—
Cradley Print, Pedmore House, Ham Lane, Pedmore, Stourbridge, 10.30

DIVIDEND & INTEREST PAYMENTS—
Intnl Bus Mach 95cts
Utd Technologies 65cts

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

Baring Brothers & Co. Ltd.
8, Bishopsgate, EC2N 4AE. 01-283 8833

Stratton Trust	379.0	395.0	....	3.84
Do. Accum.	549.6	572.8	....	3.84

Next sub day December 6 (by noon)

Bishopsgate Progressive Mgmt. Co.
6b St James's Street, SW1A 1NE. 01-493 8111.

B'gate Prog Nov 22	490.T	525.9xd	....	2.00
Acc Units Nov 22	652.7	699.5	....	2.00
B'gate Int Nov 29	609.1	646.1	....	1.30
Accum Nov 29	724.8	768.9	....	1.30
Beckman Nov 30	138.8	144.7	....	—
Can & For Dec 1	77.6	83.1	....	2.05
Accum Dec 1	79.1	84.7	....	2.05

North American	86.5	93.0	+1.8	1.12
Canadian Trust	71.0	76.4	+0.5	1.91
Mid Mount (High Inc.)*	52.7	54.9	....	7.48
Recovery	83.2	89.5	....	2.12
Gilt Trust	40.0	41.5xd	-0.1	9.45

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres, Edinburgh 5 031-226 3492

Cres. American	63.4	69.0xd	-0.4	1.23
Cres. Capital	43.T	47.1	-0.5	1.86
Cres. Growth & Inc.	77.7	83.9	+0.4	4.92
Cres. High. Dist.	61.1	65.9xd	+0.3	7.59
Cres. International	129.7	133.5	+0.5	1.03
Cres. Resources	25.9	27.9	....	2.35
Cres. Tokyo	83.6	90.2	+1.0	0.28

[illegible]

INSURANCES

[illegible]

Authorised Units—continued

Atlanta Unit Managers Ltd
1 Founders Ct. Lothbury, EC2. 01-600 8664

Jan Far East	46.2	51.9	+0.2	—

Baillie, Gifford & Co Ltd
3 Glenfinlas St. Edinburgh. 031-225 2581

JanExNov23	147.3	155.1	....	9.33
IntEa*Nv16	235.9	230.3	....	1.51
BGPPN1D15	314.2	225.5	....	1.51

1 Next dealing day.
*Unauthorised.

Equity & Law Un Tst Mngrs (a) (b) (c)
Amersham Rd. High Wycombe. 0494 33377

Euro Tst Acc	62.9	67.6	+0.1	1.43

Robert Fleming & Co Ltd
6 Crosby Square, EC3A 8AN. 01-638 5856

AmExFd*	£277.49	283.54	....	8.63
JapExFd*	£169.65	174.65	....	1.09

Next subscription day Dec 18 1965.
*Fleming American Property Unit Trust
Latest issue price (15/11) US$10.421.
Units are issued on Feb 15, May, Aug, Nov.
*Fleming Property Unit Trust.
Latest issue price (35/12) £2.069
Units are issued on March 25, June 24, Sept 29 & Dec 25.
*Unauthorised.

Guardian Royal Ex Unit Mngrs Ltd (a)
Royal Exchange EC3V 3LS. 01-638 2930

Gilt & Fixed	116.T	121.3	-0.3	9.36
Growth Eq	102.7	110.5xd	-9.6	2.45
Guardhill	163.2	189.6	-1.3	3.35
Nth Amer	97.3	104.7	+0.3	1.70
Pacific	108.6	11T.0	+1.4	0.36
Prop Shares	100.4	117.7	+1.4	1.97
Small Cos	n13.2	131.6	+9.8	1.9T

H.B.L. Unit Trust Mngrs Ltd (a) (c) (g)
Premier NT Admin. 6 Rayleigh Rd. Hutton, Brentwood, Essex. 0377-22T300

Smllr Cos Tst	53.5	56.9	....	5.20
Nth Amer	49.2	53.3xd	+9.1	1.00
Japan Far Tst	55.2	58.Txd	+0.4	8.76
Scandiavn Tst	49.8	52.8	+8.8	1.43

Hexagon Services Ltd
4 Gt St Helens. London EC4P 3EP. 0T06 45322

Aust First	119.3	116.2	....	3.43
Brewin Cap	87.9	91.6	....	0.5
Brewin Inc	76.2	82.4	....	3.0
Canada Grw	113.4	130.9	....	0.94

Lawson Fund Managers Ltd (a) (c) (g)
43 Charlotte Sq. Edinbgh 3. 031-235 6001

Carl Sq Fd	56.5	58.5	....	4.5
Pen Sfr Fd	14.0	15.0	....	1.9
Aust & Pac	6.5	9.5	....	0.8
High Yield	30.0	31.5xd	....	11.5
Do Accum	21.5	23.0xd	....	11.5

London & Manchester (Tst Mgmt) Ltd
72-80 Gatehouse Rd. Aylesbury. 9298 5941

Gen Tst	24.0	35.9	+0.9	4.48

MGM Unit Managers Ltd
MGM House, Heene Road, Worthing. 91-623 8211

High Inc	129.5	139.2	+0.1	6.53
(Accum Uts)	135.6	145.0	+0.3	6.52
UK Growth	123.7	133.0	+9.4	3.20
(Accum Uts)	125.2	134.8	+9.4	3.28

MLA Unit Trust Management Ltd
Old Queen St. SW1A 9JG. 91-222 8576

MLA Uts	169.7	199.1xd	....	2.68
MLA Inc	29.0	51.0	....	0.01

The Money Market Trust
63 Qn Victoria St. EC4N 4ST. 81-236 0952

T Oat Fund	—	—	....	8.75
Call Fund	—	—	....	8.T0

*Unauthorised—Sterling Deposit Fund.

Scottish Unit Managers Ltd
39 Charlotte Sq. Edinburgh. 031-226 4372

Pacific Fund	3T.1	39.3	+0.4	9.30
World Growth	34.1	36.1xd	+0.1	3.28
Nth Amer	25.3	3T.4	+9.1	9.36
Income Fund	34.3	38.3xd	....	5.98

Offshore & Overseas—continued

[illegible]

Insurances—continued

[illegible]

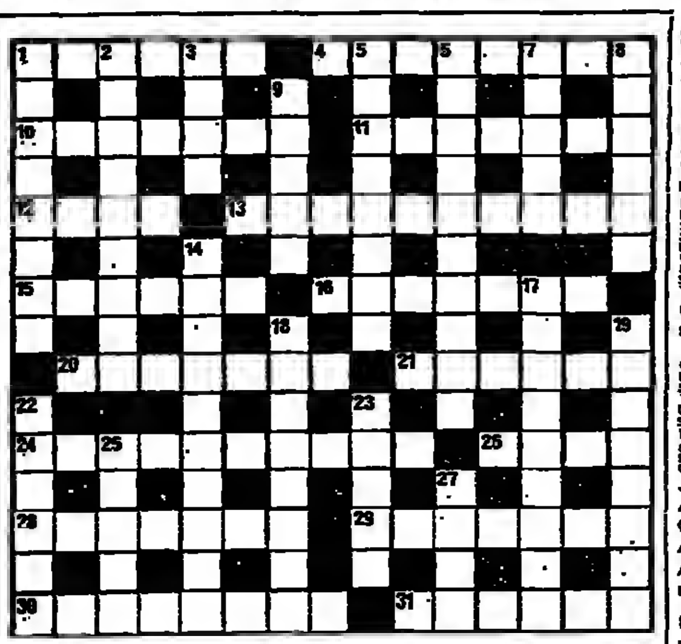
Save & Prosper Group
4 Gt St Helens. London EC3P 3EP. 0708 66966

DepPenFd*	185.8	199.0	....	—
GiltPenFd*	191.4	202.6	-0.2	—
GlobalEqFd	66.6	62.1	+0.3	—

Windsor Life Assurance Co Ltd
Royal Albert Hse. Sheet St, Windsor 68144

N Amer Fd	205.5	216.7	....	—
FutAssGth	75.0(A)	85.0(B)	....	—
FutAssPen	—	81.50	....	—
Far East Fd	129.0	135.7	....	—
Index Linked	94.3	99.4	....	

F.T. CROSSWORD PUZZLE No. 5,285



ACROSS

1 A hewer of wood and a drawer of water (6)
4 False encouragement given on debts (8)
10 Such an entrance confuses singers (7)
11 He leaves his country to be protected by another (7)
12 Record a piece of music (4)
13 High pitched form of percussion (10)
15 Ill stored (4, 2)
16 One form of literary work? (7)
20 About one hundred mince pies—made from these? (7)
21 It's accepted as a sin (6)
24 Union agent responsible for many strikes? (10)
26 Look after ducks and make capital abroad (4)
28 Porridge going round at breakfast? (7)
29 Beat fellow to the line (7)
30 It can't be shared with others (8)
31 Evasive impudence in a secret agent (6)

DOWN

1 Musical figure of integral parts (8)
2 The opportune moment—watch for it (5, 4)
3 We take turn and turn about on the vessel (4)
5 Foreshadows a stoppage in the docks (6)
6 Decline to leave rubbish for removal (6, 2, 2)
7 It was ground in the gutter (5)
8 Draw south by boat (6)
9 Way out children (5)
14 Dostoievsky's partner in crime (10)
17 If you do this too often there's cause for alarm (9)
18 Ordered with full particulars (8)
19 Dilatory perhaps, but performed with skill (8)
22 Raise with some relief (6)
23 Mouth a letter (5)
25 Not qualified to sum up (5)
27 Motherless animal turns blue (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE & OVERSEAS MANAGED FUNDS

Lloyds Life Assurance—cont.
Sarbane Funds—Series A

American Nov 22	175.6	184.9	....	—
British Nov 22	128.7	135.5	....	—
Commodity Nov 22	122.7	129.2	....	—
Extra Inc Nov 22	119.0	126.2	....	—
Far Eastern Nov 22	106.2	111.8	....	—
High Inc Nov 22	115.9	122.0	....	—
Income Nov 22	146.6	154.4	....	—
Global Strat. Nov 22	177.1	186.5	....	—
Special Sits Nov 22	131.5	138.5	....	—
Gilt Nov 22	105.3	110.9	....	—
Japan Nov 22	162.5	171.1	....	—
UK Small Co's Nov 22	122.6	129.1	....	—
Man Gwt Nov 22	149.9	157.8	....	—
Autrin. Nov 22	116.4	122.6	....	—
Oil and Energy Nov 22	114.2	120.3	....	—
Gold Share Nov 22	76.0	[illegible]	....	—

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	66.2	70.1	....	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511

Money Mngr Dec 1	62.4	67.3	....	—
MM Flexible Dec 1	53.3	56.3	....	—
Fixed Interest Nov 1	55.6	58.6	....	—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS1 6EA. 0272-279179
See adjacent page Mon-Fri and Stock Exchange Dealings page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	298.6	—	+1.1	—
Invest. Tst. Fd. Acc.	317.7	—	+1.2	13.5
Property Fund Cap.	117.4	—	+0.1	—
Property Fund Acc.	124.5	—	+0.1	6.6

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Property Fund	289.6	+0.4	—
Property Fund (A)	281.5	+0.3	—
Agricultural Fund	1,122.5	+5.5	—
Agric. Fund (A)	1,092.5	+5.1	—
Abbey Nat. Fund	230.5	+0.7	—
Abbey Nat. Fd. (A)	229.5	+0.7	—
Investment Fund	140.7	....	—
Investment Fund (A)	137.7	....	—
Equity Fund	422.6	-1.3	—
Equity Fund (A)	415.8	-1.3	—
Money Fund	218.0	+0.2	—
Money Fund (A)	214.0	+0.2	—
Actuarial Fund	238.8	+5.3	—
Gilt-edged Fund	194.7	-0.5	—
Gilt-Edged Fd. (A)	194.7	-0.5	—
Retire Annuity	357.4	+1.8	—
Immed. Annuity	191.5	....	—
International Fd.	268.3	+0.8	—
Bldg. Soc. Life Fd.	105.9	+0.7	—

Property Growth Pensions & Annuities Ltd.

All Wther Ac. Uts.	252.2	265.5	+7.2	—
Inv. Fd. Uts.		278.4	+8.8	—
Pension Fd. Uts.		256.3	+1.7	—
Conv. Pens. Fd.		297.6	+3.0	—
Cnv. Pns. Cap. Ut.		221.6	+1.6	—
Man. Pens. Fd.		339.5	....	—
Man. Pens. Cap. Ut.		263.2	....	—
Prop. Pens. Fd.		284.4	+1.2	—
Prop. Pens. Cap. Uts.		214.5	+0.4	—
Bldg. Soc. Pen. Ut.		258.5	+2.5	—
Bldg. Soc. Cap. Ut.		197.7	+1.3	—
Gilts Pens. Fd.		173.8	-0.6	—
Gilts Pens. Fd. Cap.		151.5	-0.5	—
Equity Pens. Fd.		258.0	-0.1	—
Equity Pens. Fd. Cap.		224.8	-0.1	—

Providence Capital Life Assc. Co. Ltd.

Wardley Trust	$5.58	5.95	....	2.36
Wardley Nikon As. Fd.	$25.29	26.68	....	5.62
Wardley Bond Trust	$10.58	11.15	....	0.34
Wardley Japan Trust	$27.23	28.76	....	0.52

WestAvon Secs (Guernsey) Ltd
PO Box 214, St Peter Port, Guernsey 0481 27768

Gilt & Option Fd	113.15	120	..	2.50
US $ Option	$1.01	1.06	...	—

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.60	-0.03	—

Inv. Adv M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	20.5	21.4	.	—
Chinese Fund	65.4	68.1	...	—
Precious Metal Fund	119.3	124.2	..	—
Vanguard Cmdy. Fd.	33.7	34.6	.	—
Financial Futures Fd.	62.9	65.4	...	—
Wren Intl. Fnd.*	$0.438	0.457		—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15Jul	15Ja	Funding 5½pc '82-84‡‡	99½	8.6	5.53	9.59
20Aug	20F	Exch. 11¼pc 1984	100	14.7	11.22	9.07
22N	22May	Exchequer 14pc 1984	102	11.10	13.65	9.35
19D	19Jun	Exch 3pc 1984	97xd	14.11	3.10	0.82
26Mar	26S	Treasury 12pc 1984	103	22.8	11.78	9.39
22Aug	22F	Treasury 15pc 1985	105	18.7	14.25	10.15
22S	22Mar	Exch. 12pc Cnv '85	102¼	16.8	11.73	9.96
21N	21My	Treasury 3pc 1985	93	17.10	3.20	7.46
15Jan	15Jul	Treasury 11½pc 1985	101	0.6	11.31	10.28
3 Mar	1 Sept	Treas 8¼pc Cnv '85	98	28.7	8.93	9.94
22May	22N	Exch 12¼pc 1985	103	17.10	11.88	10.39
25 Aug	25F	Exch. 11¾pc '86	102¼	19.7	11.50	10.53
—		Treas. 10pc Cnv 1986	101	—	9.85	9.21
19N	19May	Treasury 3pc 1986	88½	15.10	3.39	0.27
19 Nv	19 My	Exch. 10½pc Cv '86	100	15.10	10.45	10.24
12D	12Jun	Treasury 12pc '86	102¾xd	7.11	11.68	10.72
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	97¼	3.6	0.75	7.95
14 Jan	14 Jy	Treas. 12¼pc '86 Cnv.	109¼	7.6	11.17	8.01

Five to Fifteen Years

Over Fifteen Years

Undated

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مكتبة الأصل

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Tins

Miscellaneous

—	♥Sabina Inds C$1	70	—	—	—	—	—
—	♥Tara Expln $1	715	—	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(1).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable
- ♠ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

B.Fr Belgian Francs. Fr French Francs. ¥¥ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	62		Fin. 13% 97/02	£97	
Bdg'wtr Est. 50p	305		Alliance Gas	93	+5
Craig & Rose £1	£10½		Arnott	208	
Finlay Pkg. 5p	42		Carroll (P J)	101	−1
Higsons Brew	87xd		Concrete Prods	80	
Holt (Jos) 25p	910		Heiton (Hldgs)	15	
I O M. Stm. £1	127		Irish Ropes	35	
IRISH			Jacob	70	
Exch 12% 1985	£99¼		T M G	85	
Nat 9¾% 84/89	£89½		Unidare	78	

OPTIONS

3-month Call Rates

Industrials		House of Fraser	20	Vickers	12
Allied Lyons	13	I C I	45	Woolworth Hld	30
BOC Grp	20	Imps	11		
B.S.R.	20	I C L	7	**Property**	
Babcock	35	Ladbroke	22	Brit Land	8½
Barclays Bank	45	Legal & Gen	45	Cap. Counties	14
Beecham	32	Lex Service	32	Land Sec	28
Blue Circle	45	Lloyds Bank	48	MEPC	20
Boots	16	"Lots"	9	Peachey	16
Bowaters	22	London Brick	10	Samuel Props	11
Brit Aerospace	19	Lucas Inds	15	Sterling Guar	4
B A T	14	"Mams"	14		
Brown (J)	3½	Mrks & Spncr	20	**Oils**	
Burton Ord	15	Midland Bank	40		
Cadbury	11	N E I	10	Brit Petroleum	38
Courtaulds	10	Nat West Bank	55	Burmah Oil	17
Debenhams	14	P & O Dfd	21	Charterhall	9
Distillers	20	Plessey	19	KCA	6
Dunlop	6	Racal Elect	20	Premier	6
Eagle Star	45	R H M	7	Shell	35
F N F C	5½	Rank Org Ord	20	Tricentrol	22
Gen Accident	42	Reed Intnl	32	Ultramar	65
Gen Electric	10	Sears	8		
Glaxo	75	T I	13	**Mines**	
Grand Met	10	Tesco	17		
G U S A	50	Thorn EMI	55	Charter Cons	28
Guardian	45	Trusthouse	16	Cons Gold	58
G K N	16	Turner & Newall	7	Lonrho	4
Hawker Sidd	28	Unilever	70	Rio T Zinc	62

"Recent Issues" and "Rights" Page 18

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

December may be volatile

BY COLIN MILLHAM

December is usually a month when the volume of trading on the foreign exchanges falls substantially, but this does not mean movements on the exchanges will be small. It is quite likely that currencies in general, and the dollar in particular, will be volatile as relatively small deals shift the markets in an exaggerated way. Many large traders have already, or are in the process, of winding down positions and squaring books before the year end, and will be merely keeping a presence in the market this month.

Central banks should have little problem controlling the situation if pressure increases on any currency because of a disorderly market. The most likely source of volatility is the International Monetary Market in Chicago, where traders may well see the absence of the major commercial banks as an opportunity to push currencies around.

Against this background the dollar may yet break through the 10-year high of DM 2.7315 touched in August, but the failure of the U.S. currency to break new ground against the D-mark last week gave rise to some suspicion that the dollar had peaked out once again. Record levels were seen for the dollar against the French franc and Italian lira, but the D-mark and yen have proved more resilient, although the German currency continues to suffer from some nervousness about the SMH bank rescue, and the Lambsdorff corruption charges, requiring fairly regular support from the Bundesbank.

The yen is around record levels against European currencies, including the D-mark, reflecting the recent agreement with the U.S. to bring about a more realistic exchange rate which has kept the yen firm against all currencies including the dollar.

Sterling is tending to drift rather nervously, threatening to touch a record low against the dollar. The Soviet offer to cut 25 cents a barrel from its oil price to European customers was a depressing factor, and the pound may also be vulnerable to events at this week's Opec meeting in Geneva.

£ in New York

	Dec. 2	Previous
Spot	$1.4590-4610	$1.4550-4560
1 month	0.09-0.11 dis	0.08-0.10 dis
3 months	0.23-0.25 dis	0.21-0.25 dis
12 months	0.98-1.08 dis	0.93-1.01 dis

£ forward rates are quoted in U.S. cents discount.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.4585	1.4576	1.4590	1.4615	1.4668
D-Mark	3.9550	3.9481	3.9323	3.8958	3.8419
French Franc	12.0090	12.0402	12.1211	12.2796	12.5695
Swiss Franc	3.1675	3.1542	3.1273	3.0887	3.0133
Japanese Yen	340.25	338.57	338.00	335.70	331.02

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.9004	+2.23	+1.60	±1.5447
Danish Krone	8.14104	8.16112	+0.31	-0.22	±1.6425
German D-Mark	2.24184	2.26084	+0.85	+0.31	±1.0642
French Franc	6.87456	6.87036	-0.01	-0.53	±1.4052
Dutch Guilder	2.52595	2.53263	+0.26	-0.28	±1.4964
Irish Punt	0.72569	0.72798	+0.21	-0.23	±1.6699
Italian Lira	1403.49	1369.80	-2.40	-2.40	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 2	Nov. 25		Dec. 2	Nov. 25
Bills on offer	£100m	£100m	Top accepted rate of discount	8.8845%	8.8643%
Total of applications	£468.86m	£438.03m	Average rate of discount	8.8666%	8.8624%
Total allocated	£100m	£100m	Average yield	9.073%	9.06%
Minimum accepted bid	£97.785	£97.79	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	3%	79%			

THE POUND SPOT AND FORWARD

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4535-1.4600	1.4580-1.4570	0.08-0.13c dis	-0.86	0.22-0.27dis	-0.67
Canada	1.8080-1.8130	1.8115-1.8125	0.17-0.27c dis	-0.73	0.16-0.26dis	-0.18
Nethlnd.	4.40-4.43½	4.42½-4.43½	1¼-¾c pm	2.71	3½-3 pm	2.94
Belgium	79.80-80.20	80.05-80.15	1-15c dis	-1.16	22-42 dis	-1.65
Denmark	14.20-14.27	14.25½-14.26½	1.95-3.00ore dis	-2.08	3.70-4.85dis	-1.20
Ireland	1.2640-1.2720	1.2700-1.2710	0.25-0.35p dis	-2.83	0.75-0.90dis	-2.60
W. Ger.	3.93-3.96½	3.95-3.96	1⅛-⅞pf pm	2.65	3⅛-2⅞ pm	2.91
Portugal	187.00-188.75	188.00-188.50	125-335c dis	-14.66	465-865dis	-14.13
Spain	226.25-227.25	226.80-227.00	225-250c dis	-12.56	615-685dis	-11.46
Italy	2.382-2.391	2.388½-2.389½	12½-14½lira dis	-9.80	43½-46½dis	-7.53
Norway	10.92½-10.97½	10.96½-10.97½	3.65-4.35ore dis	-4.38	9.5-10.3dis	-3.61
France	11.96-12.01	12.00-12.01	3-4c dis	-3.50	11-12½ dis	-3.91
Sweden	11.58½-11.62	11.60½-11.61½	2.75-3.30ore dis	-3.13	7.60-8.13dis	-2.69
Japan	338-341	339½-340½	0.72-0.64y pm	2.40	2.27-2.16 pm	2.60
Austria	27.67-27.87	27.80-27.85	8-6¾gro pm	3.19	20⅞-17¼ pm	2.74
Switz.	3.14½-3.17½	3.16½-3.17½	1⅝-1⅛c pm	3.21	4¾-3¾ pm	5.05

Belgian rate is for convertible francs. Financial franc 81.05-81.15. Six-month forward dollar 0.47-0.52c dis, 12-month 0.98-1.08c dis.

THE DOLLAR SPOT AND FORWARD

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4535-1.4600	1.4560-1.4570	0.08-0.13c dis	-0.96	0.22-0.27dis	-0.67
Ireland†	1.1450-1.1510	1.1465-1.1475	0.23-0.20c pm	2.25	0.65-0.58 pm	2.15
Canada	1.2420-1.2450	1.2440-1.2445	0.03c pm-par	0.14	0.09-0.06 pm	0.21
Nethlnd.	3.0290-3.0390	3.0370-3.0380	0.97-0.87c pm	3.64	2.75-2.65 pm	3.56
Belgium	54.80-55.03	54.95-55.01	4-9c dis	-1.38	17-21 dis	-1.38
Denmark	9.7485-9.7975	9.7900-9.7950	¼-1¼ore dis	-1.08	1-1½ dis	-0.51
W. Ger.	2.7000-2.7140	2.7125-2.7135	0.82-0.77pf pm	3.52	2.48-2.43 pm	3.62
Portugal	128.90-129.90	129.20-129.50	80-220c dis	-13.91	300-650dis	-14.69
Spain	155.40-155.80	155.70-155.80	130-150c dis	-10.79	400-450dis	-10.92
Italy	1638-1641½	1640½-1641½	8½-8lire dis	-6.41	27¼-28¼ dis	-6.87
Norway	7.5060-7.5300	7.5200-7.5250	2.05-2.35ore dis	-3.52	5.35-0.65dis	-2.83
France	8.2000-8.2475	8.2425-8.2475	1.70-1.80c dis	-2.55	6.30-6.70dis	-3.15
Sweden	7.9590-7.9800	7.9650-7.9700	1.40-1.60ore dis	-2.26	3.90-4.10dis	-2.01
Japan	232.35-233.60	233.45-233.55	0.64-0.60y pm	3.19	1.93-1.89 pm	3.27
Austria	18.97-19.10½	18.09½-18.09½	6.80-6.00gro pm	3.86	17¼-15¼ pm	3.40
Switz.	2.1615-2.1750	2.1735-2.1745	1.08-1.04c pm	6.88	3.14-3.10 pm	5.76

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 55.65-55.70.

OTHER CURRENCIES

Dec. 9	£	$		£ Note Rates
Argentina Peso	28.05-28.16	19.979-19.299	Austria	27.60-97.90
Australia Dollar	1.0750-1.0800	1.0646-1.0906	Belgium	80.65-81.35
Brazil Cruzeiro	1,323.0-1,331.7	909-914	Denmark	14.16-14.30
Finland Markka	8.4266 8.4460	0.7860-5.7910	France	11.99-12.04
Greek Drachma	141.16 141.76	97.10-97.20	Germany	3.92-3.96
Hong Kong Dollar	11.07¼-11.37¾	7.8120-7.8140	Italy	9096-2093
Iran Rial	128.00*	88.00*	Japan	608-343
Kuwait Dinar (KD)	0.4265-0.4260	0.2919-0.2920	Netherlands	4.38¾-4.42¾
Luxembourg Fr.	80.06-80.16	54.99-66.01	Norway	10.89-10.99
Malaysia Dollar	0.4060-3.4100	2.3400-2.3420	Portugal	189-196
New Zealand Dlr.	2.2045-2.2180	1.0166 1.6185	Spain	999¾-2361¼
Saudi Arab. Riyal	0.0730 6.0776	6.4807 3.4812	Sweden	11.65-11.66
Singapore Dollar	0.0976-0.1026	9.1985-9.1306	Switzerland	6.14-3.17
Sth. African Rand	1.7676 1.7610	1.2060-1.2090	United States	1.44¾-1.46¾
U.A.E. Dirham	5.6315-0.3070	6.6720-3.6730	Yugoslavia	208-826

* Selling rates.

CURRENCY MOVEMENTS

Dec. 9	Bank of England Index	Morgan Guaranty Changes%
Sterling	82.9	-7.9
U.S. dollar	128.2	+17.0
Canadian dollar	91.8	+0.4
Austrian schilling	110.1	+0.0
Belgian franc	89.9	-11.7
Danish kroner	78.9	-8.6
Deutsche mark	124.8	+2.2
Swiss franc	191.8	+13.2
Guilder	114.9	+4.3
French franc	68.7	-15.0
Lira	42.2	-11.6
Yen	138.2	+11.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.720063	0.373924
U.S. $	8½	1.04991	0.830264
Canadian $	9.73	*	1.03948
Austria Sch	3¾	19.9871	10.9141
Belgian F	10	67.5981	46.9004
Danish Kr.	7	10.2497	8.16112
D mark	4	9.83676	2.26084
Guilder	5	3.17860	9.56255
French F.	9½	8.69764	6.87036
Lira	17	1718.44	1369.80
Yen	5	244.787	194.599
Norwgn Kr.	8	7.88220	6.28190
Spanish Pta	—	163.170	129.997
Swedish Kr	8½	2.36886	6.66001
Swiss Fr.	4	2.27148	1.81135
Greek Dr'ch	20½	102.072	81.2431

*C$/SDR rate for Dec 1: 1.30247

EXCHANGE CROSS RATES

Dec. 2	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.457	0.959	640.6	12.005	6.168	4.428	2390.	1.812	80.10
U.S. Dollar	0.687	1.	2.715	236.2	8.245	2.174	0.038	1641.	1.244	65.00
Deutschemark	0.253	0.368	1.	66.03	3.035	0.801	1.119	604.2	0.458	20.26
Japanese Yen 1,000	9.952	4.281	11.68	1000.	33.28	8.399	16.01	7023.	5.623	286.4
French Franc 10	0.836	1.210	0.294	283.4	10.	2.068	5.688	1990.	1.509	06.72
Swiss Franc	0.616	0.460	1.249	107.4	6.790	1.	1.398	754.4	0.579	26.29
Dutch Guilder	0.226	0.329	0.893	76.85	9.711	0.716	1.	539.7	9.409	18.09
Italian Lira 1,000	0.418	0.610	1.665	142.4	3.084	1.326	1.856	1000.	0.758	66.52
Canadian Dollar	0.552	0.804	8.183	187.2	6.625	1.748	2.443	1319.	1.	44.21
Belgian Franc 100	1.248	1.812	4.962	424.2	14.99	6.964	3.697	2883.	9.852	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	8⅞-9⅛	9¼-9⅛	9-9¼	6¾-6⅞	2⅛-2¾	5⅝-5¾	12¼-12⅛	10¾-10¼	9¾-10¼	9⅛-10	6-6⅛	10⅜-10⅞
7 day's notice	9-9⅛	9¼-9⅛	9-9¼	5¾-6⅞	2¼-9⅛	5⅝-5⅝	19⅛-12⅜	10-16⅛	10⅛-11	10⅛-11	0⅛-6¼	10⅞-11⅜
Month	9⅛-9⅛	9⅝-9⅛	9⅛-9⅜	6⅛-6⅛	4⅛-4⅛	6⅛-6⅞	12⅛-13⅜	16-19⅛	10⅜-11¼	10⅛-10¾	6⅛-6⅛	11⅛-19
Three months	9¼-9⅞	9¾-10	9⅝-9⅝	6⅛-6⅞	3⅛-4⅛	0⅛-0¼	12⅞-13⅛	16¾-17¼	11-11⅛	10⅛-11⅛	0⅛-6⅝	11⅛-11⅝
Six months	9⅛-2⅞	9⅞-10⅛	9⅛-2¾	6¼-6⅝	4⅛-4¼	6⅛-6¼	13⅞-14⅛	17⅛-12	11⅛-11⅝	11-11¼	6⅛-6⅝	11¼-11¾
One Year	9⅛-8⅞	10⅛-10⅛	2¾-10	6⅝-6¾	4⅛-4⅛	6⅛-6⅞	14⅛-14¾	18⅛-18⅝	11⅛-11⅝	11⅛-11⅝	6⅛-6⅛	11⅝-11⅞

Asian $ (closing rates in Singapore): Short-term 9¼-9⅛ per cent; seven days 9⅛-9⅛ per cent; one month 9⅛-9⅛ per cent; three months 9¾-9⅞ per cent; six months 9⅛-10⅛ per cent; one year 10⅛-10⅛ per cent. Long-term Eurodollar two years 11⅛-11⅛ per cent; three years 11⅛-11⅛ per cent; four years 11⅞-12⅛ per cent; five years 12⅛-12⅛ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Dull and featureless

Money markets remained dull and featureless last week. Recent strong economic growth in the U.S. is expected to be reflected in higher money supply figures in December, while the Treasury programme of auctioning Government paper has been bunched up by the delay in passing the bill raising the debt ceiling by Congress. These factors are expected to keep U.S. interest rates firm at least until the year end, and with the dollar very firm on the foreign exchanges there is limited scope for cuts in European interest rates at present.

The Federal Reserve added money to the New York banking system quite regularly during the week, but only when the Federal funds rate showed signs of moving above its recent average level of 9⅜ per cent, and not aggressively enough to suggest any change in monetary policy.

Provisional UK money supply figures to mid-November are due for publication on Tuesday and are not expected to be good. Very encouraging September figures were followed by a cut in clearing bank base rates, but the October aggregates disappointed and the November figures are not expected to be followed by any further downward move in base rates. Sterling's weak position against the dollar would also tend to reinforce this point, but there is no sign of apprehension in the London money market, and rates have been very steady.

Day-to-day credit remained in good supply overall, including a £250m surplus on Wednesday as a result of very large Government disbursements.

Paris call money fell to 11⅞ per cent on Tuesday, the lowest level for over 2½ years, but this was more the result of an industrial dispute disrupting the banking system, which cut the money market off from the Bank of France. The official money market intervention rate was cut to 12 per cent from 12⅛ per cent, and lower domestic rates may flow from the recent easing of Eurofranc interest rates.

Frankfurt overnight money was in rather short supply until the middle of the week, reflecting demand for funds from banks to meet month-end minimum reserve requirements. The Bundesbank allowed DM 7.5bn to drain from the market on Monday when a securities repurchase agreement expired, but another agreement was offered on Wednesday injecting some DM 8.9bn in liquidity.

UK clearing banks base lending rate 9 per cent (since October 4 and 5)

MONEY RATES

Dec. 9	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.60-5.80	12⅛	1.5	6⅛-6⅜	6.28125	17½-17⅞	8.60	11⅛-19
One month	5.90-6.00	12⅛-12⅜	4⅛	6-6⅛	6.40670	17⅝-17⅞	10⅛-10⅜	12⅛-12⅜
Three months	6.30-6.60	12⅜-12⅝	4⅛	6⅛-6⅜	6.36125	17⅝-18	10⅞-11⅛	12⅛-12⅜
Six months	6.40-6.50	12⅛-13⅛	—	6⅛-6⅜	—	—	10⅞-11⅛	12⅛-12⅜
Lombard	6.5	—	—	—	—	—	—	—
Intervention	—	12	—	6⅛	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 2 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	3-9¼	9-9¼	8.8¼	8¼-4	—	—	—	—	—
2 days notice	—	—	9⅛-9	—	—	—	—	—	—	—
7 days or 7 days notice	—	8⅞-9⅛	9	9⅛-9⅜	9	—	—	—	—	—
One month	9⅛-9⅛	9⅛-9⅛	9	9⅛	9	8⅞	8⅞	8⅞	8⅞	9⅛
Two months	9⅛-9⅛	9⅛-9⅛	9⅛	—	9	8⅞	8⅞	8⅞	8⅞	9⅛
Three months	9⅛-9⅛	9⅛-9⅛	9⅛	—	9⅛	8⅞	8⅞	8⅞	8⅞	9⅛
Six months	9⅛-9⅛	9⅛-9⅛	9⅛	—	9⅛	—	—	8⅞	—	9⅛
Nine months	9⅛-9⅛	9⅛-9⅛	—	—	—	—	—	—	—	—
One year	9⅛-9⅛	9⅛-9⅛	9⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Certs of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅛-9⅛	—	9⅛	9.4-8.6	8⅛-8⅞	9⅛-9⅛
Two months	9⅛-9⅛	—	9⅛	9.45-9.65	8⅛-8⅞	9⅛-9⅛
Three months	9⅛-9⅛	—	9⅛	9.55-9.65	8⅞-9⅛	9⅛-9⅛
Six months	9⅛-9⅛	—	9⅛	9.75-9.85	9⅛-9⅛	9⅛-9⅛
Nine months	9⅛-9⅛	—	9⅛	9.9-10.1	—	—
One year	9⅛-9⅛	10⅛	9⅛	10.05-10.25	9⅛-9⅛	9⅛-10⅛
Two years	—	10⅛	—	—	—	—
Three years	—	10⅛	—	—	—	—
Four years	—	10⅛	—	—	—	—
Five years	—	10⅛	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period October 5 to November 1 1983 (inclusive) 9.383 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association) 9½ per cent from December 1 1983. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rates for sums at seven days' notice 6⅛ per cent. Treasury Bills: Average tender rate of discount 8.8666 per cent. Certificates of Tax Deposit (Series 6): Deposits of £100,000 and over held under one month 9⅛ per cent; one-six-month 9⅛ per cent; six-12-month 10 per cent. Under £100,000 9⅛ per cent from October 5. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. December 2)

3 months U.S. dollars

bid 9 ⅝	offer 9 7/8

6 months U.S. dollars

bid 9 15/16	offer 10 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK (Lunchtime)

Prime rate	11
Broker loan rate	10-10¼
Fed funds	9⅛
Fed funds at intervention	—

Treasury Bills

One month	8.40
Two month	8.76
Three month	8.89
Six month	9.07
One year	9.16

Treasury Bonds

Two year	99⅞
Three year	99⅞
Four year	98⅝
Five year	97⅞
Seven year	99⅞
10 year	100⅛
30 year	102⅝

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.31	90.35	90.30	90.32
March	89.79	89.86	89.77	89.86
June	89.45	89.53	89.45	89.54
Sept	89.22	89.27	89.22	89.25
Dec	88.93	—	—	88.93

Volume 2,149 (1,203)
Previous day's open int. 8,076 (8,068)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	90.90	90.90	90.87	90.90
March	90.52	90.53	90.50	90.53
June	90.28	90.31	90.28	90.31
Sept	90.03	90.08	90.02	90.06
Dec	89.77	—	—	89.80

Volume 649 (670)
Previous day's open int. 4,808 (4,623)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	109-17	109-29	109-16	110-00
March	108-22	109-08	108-22	109-10
June	108-09	108-20	108-09	108-29
Sept	161-29	108-05	107-29	108-18
Dec	107-15	101-29	107-15	108-03

Volume 1,538 (2,406)
Previous day's open int. 2,906 (2,816)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 2 to 12 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4570	—	—	1.4580
March	1.4595	1.4613	1.4565	1.4602
June	1.4618	—	—	1.4625

Volume 154 (433)
Previous day's open int. 2,360 (2,417)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3693	0.3706	0.3692	0.3700
March	0.3724	0.3738	0.3724	0.3735
June	0.3759	—	—	0.3770

Volume 118 (247)
Previous day's open int. 322 (348)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Dec	0.4618	0.4624	0.4610	0.4628
March	0.4682	—	—	0.4693
June	0.4753	—	—	0.4764

Volume 14 (124)
Previous day's open int. 126 (126)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Dec	0.4292	0.4299	0.4282	0.4302
March	0.4327	0.4336	0.4326	0.4334
June	0.4362	—	—	0.4369

Volume 36 (117)
Previous day's open int. 206 (199)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	70-27	71-11	70-26	71-20
March	70-09	70-23	70-08	71-02
June	69-24	70-05	69-23	70-17
Sept	69-09	69-22	69-09	70-01
Dec	68-27	69-04	68-27	69-18
March	68-15	68-27	68-15	69-07
June	68-05	68-14	68-05	68-28
Sept	67-28	68-00	67-28	68-18
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.99	91.05	90.98	91.08
March	90.53	90.62	90.52	60.89
June	90.25	90.33	90.25	90.39
Sept	90.02	80.09	90.02	90.18
Dec	89.82	89.90	68.82	89.95
March	89.63	89.68	89.63	89.78
June	89.44	89.48	89.44	89.67
Sept	89.27	—	89.27	89.38

CERT DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.50	90.55	90.49	90.57
March	89.87	—	89.68	90.00
June	89.49	89.59	89.48	89.62
Sept	89.16	89.29	89.16	89.32
Dec	—	—	—	—
March	—	—	—	—
Sept	79.40	79.85	79.85	79.89

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	90.00	90.04	89.99	90.06
March	89.43	89.59	89.42	89.59
June	89.11	89.25	89.11	89.25
Sept	88.84	80.97	88.84	88.97
Dec	88.59	89.64	88.59	88.71
March	88.32	—	88.31	88.43

STERLING (IMM) $e per £

	Close	High	Low	Prev
Dec	1.4616	1.4635	1.4535	1.4675
March	1.4640	1.4660	1.4580	1.4585
June	1.4660	1.4675	1.4680	1.4610
Sept	1.4680	1.4700	1.4600	1.4640
Dec	—	—	—	—
March	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	69-17	69-27	69-10	70-03
March	68-11	68-24	68-10	68-31
June	67-14	67-28	67-14	68-02
Sept	66-21	66-31	66-21	67-09
Dec	66-00	66-10	66-00	66-20
March	—	—	—	—
June	65-01	65-11	64-31	65-21
Sept	64-22	64-28	64-19	65-10
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—

WEEKLY CHANGE IN WORLD INTEREST RATES

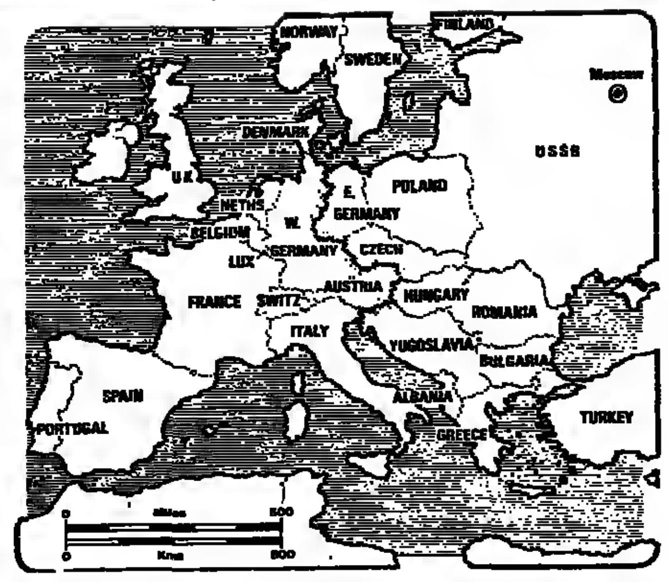
	Dec. 2	change
LONDON		
Base rates	9	Unch'd
7 day interbank	8⅞	-⅛
3 mth interbank	9⅛	Unch'd
Treasury Bill Tender	8.8666	+0.0042
Band 1 Bills	8⅞	Unch'd
Band 2 Bills	9	Unch'd
Band 3 Bills	8⅞	Unch'd
3 Mth. Treasury Bills	8⅞	Unch'd
1 Mth. Bank Bills	9	-⅛
3 Mth. Bank Bills	8⅞	Unch'd
TOKYO		
One month Bills	6.46973	Unch'd
Three month Bills	6.38125	Unch'd
BRUSSELS		
One month	10⅛	+⅛
Three month	10⅛	+⅛
AMSTERDAM		
One month	6⅛	+⅛
Three month	6⅛	+⅛

	Dec. 9	change
NEW YORK		
Prime rates	11	Unch'd
Federal funds	9⅛	+⅛
3 Mth. Treasury Bills	8.89	+0.18
6 Mth. Treasury Bills	9.07	+0.12
3 Mth. C D	9.45	+0.10
FRANKFURT		
Lombard	6.60	Unch'd
One Mth. Interbank	6.06	+0.025
Three month	6.486	+0.10
PARIS		
Intervention Rate	12	—
One Mth. Interbank	12.25	-0.0625
Three month	12.1875	-0.1875
MILAN		
One month	17⅛	Unch'd
Three month	17⅛	Unch'd
DUBLIN		
One month	12⅛	Unch'd
Three month	12⅛	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8⅞.

FINANCIAL TIMES SURVEY

EUROPE



The missile debate, the need for tough economic measures and conflicts with the U.S. over the effect of its domestic policies point to trying times for the West. In addition there is mounting unease in Europe's capitals about Washington's approach to East-West relations

The West at a crossroads

SOME YEARS hence, these politically troubled and economically difficult times may be identified as one of those crossroads for Europe so beloved of professional historians. The contemporary observer, distracted by the trees, has much more difficulty in seeing the historical wood.

But whether he is looking at security issues, commercial conflicts, economic options or political choices, Europe seems simultaneously confronted both by the dangers of growing fragmentation and by the opportunities for greater cohesion and self-reliance.

By JOHN WYLES
Common Market Correspondent

This stark characterisation is somewhat less true of the divided continent's Eastern half where political developments are distorted by its subordinate economic and political status to the Soviet Union. Nevertheless, countries such as Poland, Hungary and Romania are seeking in various ways to extend their autonomy and, in some instances, are impelled to do so by the same pressures which are acting upon the West.

Pre-eminent among these is Nato's deployment of intermediate range nuclear weapons in response to the Soviet Union's development of the SS20, a missile which is custom-built for targeting on Western Europe.

As the debate has raged in Western Europe, and the deployment of the cruise missiles effected in the UK, common concerns are emerging among supporters and opponents of the Nato decision.

This can be said to be a fear that the installation of the capacity for a nuclear war solely between Western Europe and the Soviet Union makes the world a more dangerous place when relations between the two super powers are at a disturbingly low ebb.

The pro- and anti-deployment camps differ more obviously over where the blame lies for the poor state of East-West relations, and over whether Nato deployment should proceed even if the Soviet SS20 force is left intact. Significantly, however, loyalty to the Nato position has not suppressed a growing unease in most European capitals about Washington's approach to East-West relations.

While there is general approbation in most Western European governments for the flexible approacb by the U.S. to missile negotiations in Geneva, there is less satisfaction with the policies President Reagan has developed linked to his view that the Soviet Union is directly responsible for instability in Central Africa, the Caribbean and Central America.

As a result, the Europeans are searching with more determinatioo than before for a capacity for joint action whicb will increase their influence on Washington and give tbem a more distinctive voice in East-West relations.

Speaking five days after the U.S. invasion of Grenada, which his government obviously thought misguided, Sir Geoffrey Howe, the British foreign secretary said: "The events in Grenada have reminded us again that there are times when Europe needs a voice independent even of its closest allies."

One view of the next 12 months is that the Western Europeans—and the British, French, German and Italian governments in particular—must develop this independent voice partly in order to placate their anti-missile and anti-American minorities.

Significantly, most capitals are putting a new emphasis oo the oeed to renew a dialogue with the Soviet Union and these efforts will be stepped np especially if the only major forum for East-West contacts—the missile reduction talks in Geneva—are ruptured indefinitely by the Soviet walk-out after deployment.

While they may thus be presented with an opportunity for developing greater cohesion, some Europeans can also see the potential for fragmentation in the present uncertainties on the security front. Anxiety is said to be greatest in Paris over the implications of the West German peace movement and of its success in swinging the main opposition SDP party against deployment.

This breakdown in the post-war West German consensus on security issues is seen by some French analysts as representing a renaissance of neutralist sentiment which yearns for a reunified Germany, distanced from both East and West. Chancellor Kohl and his Government are still searching for an effective response to their domestic peace movement and a more influential and effective European voice in the Alliance remains a top priority for Bonn.

Corrosive conflicts with U.S.

ANXIETIES in Western Europe about the erosion of the political underpinnings of the Atlantic Alliance extend over a much broader field than the missile issue. Conflicts with the U.S. over the international impact of American domestic economic policies and over specific trade issues such as steel and agriculture are ofteo claimed to be increasingly corrosive.

This is not yet substantiated by much evidence and indeed, Mr Pieter Dankert, the President of the European Parliament, said recently in the U.S. that in his opinion the clashes over economic and commercial policies have not so far been "a mobilising factor for public opinion."

But taken together with a general questioning in Western Europe of the quality of President Reagan's leadership, the numerous points of abrasion with the U.S. do heighten the anxieties with which European governments approach the future.

Many left-of-centre politicians in Western Europe are talking now of the need to "decouple" the European economy from that of the U.S. More pragmatically some governments are searching for ways of cushioning the EEC economy from the impact of U.S. interest rates and currency instability.

However, the British and West German central banks are immensely sceptical about the value of such efforts. There is little sign that, despite strenuous French attempts, the EEC countries will develop a common position in the next 12 months eveo on the need for a dialogue with the U.S. about how to achieve greater economic convergence.

Nevertheless, U.S. economic policy and performance remains the great imponderable for the West Europeans. They are making some headway in rednciog their inflatioo rates (EEC consumer price rises have fallen from 14.3 per cent in 1980 to 8.2 per ceot in the year to August), public sector spending deficits are being grappled with rather more convincingly than before and old declining industries such as steel, shipbuilding and textiles are slowly being restructured.

The obvious need is for faster, non-inflationary growth, and the extent and speed of the U.S. recovery now underway should be a modest leg up in this direction.

In Western Europe, the apparent strength of the U.S. recovery is viewed with envy tinged with incredulity. Anxieties focus particularly on the widening balance of payments deficit in the U.S. and equally formidable federal budget deficit.

Pessimists fear that both deficits will lead to greater volatility for the U.S. dollar, still bigher U.S. interest rates and a choking off of recovery.

These risks engender nothing but caution in Europe and tremulous anxieties about the extent and durability of the modest recovery now underway in some countries.

Questions for the EEC

IF SUSTAINED growth cannot be captured, then political developments on the Cootinent become even more uncertain. All the main questions relate to the European Community.

Over the next few months, the Community should achieve modest internal reforms and raise the ceiling on its budget revenues so as to be able to finance its future development. Economic recovery would be a vital lubricant for this development: it gives government political courage and the Community some prospect of rolling back protectionist measures which are baulking the develop-

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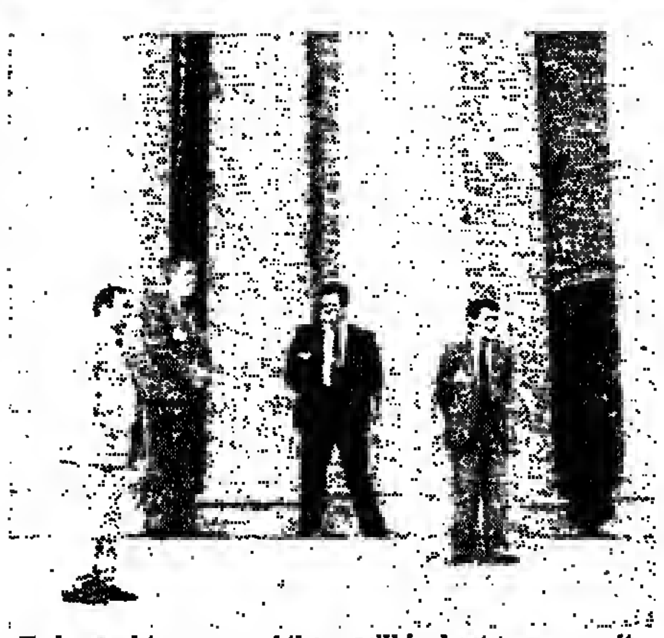
EEC

ECONOMY

INDUSTRY

TRADE

Editorial production: Arthur Dawson. Design: Philip Hunt.



Today and tomorrow Athens will be host to a summit meeting of the European Community. The Community's Council of Ministers met there in October and the picture shows security officers on duty outside the Zappeion Hall where the meeting took place

At a crossroads

CONTINUED FROM PAGE ONE

ment of its internal market.

As the Community ages, the paradox becomes more striking. Such strength and cohesion as it has is rather more a product these days of external pressures than of internal momentum. Political co-operation moves in a certain crab-like fashion but the facility for developing a common foreign policy reaction on specific issues is regarded as an important asset by all member states.

Similarly, the darkening trading environment of the last five years has greatly strengthened the Community's value to its members through its ability to "manage" difficult crises and problems with the U.S. and Japan.

At the same time, however, the Community has failed to "complete negotiations" to accept Spain and Portugal into membership and has made virtually no progress in developing policies for industrial modernisation and regeneration. Those who fear most for its future argue that fragmentation will start from within unless a new policy impetus can be found.

Since this is one of the avowed objectives of the summit meeting in Athens today and tomorrow, we should not have to wait long to see whether governments really want the Community to be much more than an agricultural development agency and a regional commercial grouping.

Probably the most important test will be the success, not just of the Community but of Western Europe as a whole, in creating the conditions for the growth and development of high technology industries.

Conscious of the need to make up ground, more and more European companies are launching joint ventures with American and Japanese partners willing to transfer technological know-how.

The extent of intra-European co-operation at a corporate level, however, remains unimpressive. The Community, through projects like Esprit and the provision of venture capital, is beginning to recognise the need to give a push to technological co-operation. Whether it will be able to offer the incentive of a genuine common market which is not fractured by differing norms and standards and chauvinistic public purchasing still remains very much to be seen.

The electorates of Europe have sensed that a turning-point is at hand, Ian Davidson reports

A strange political calm

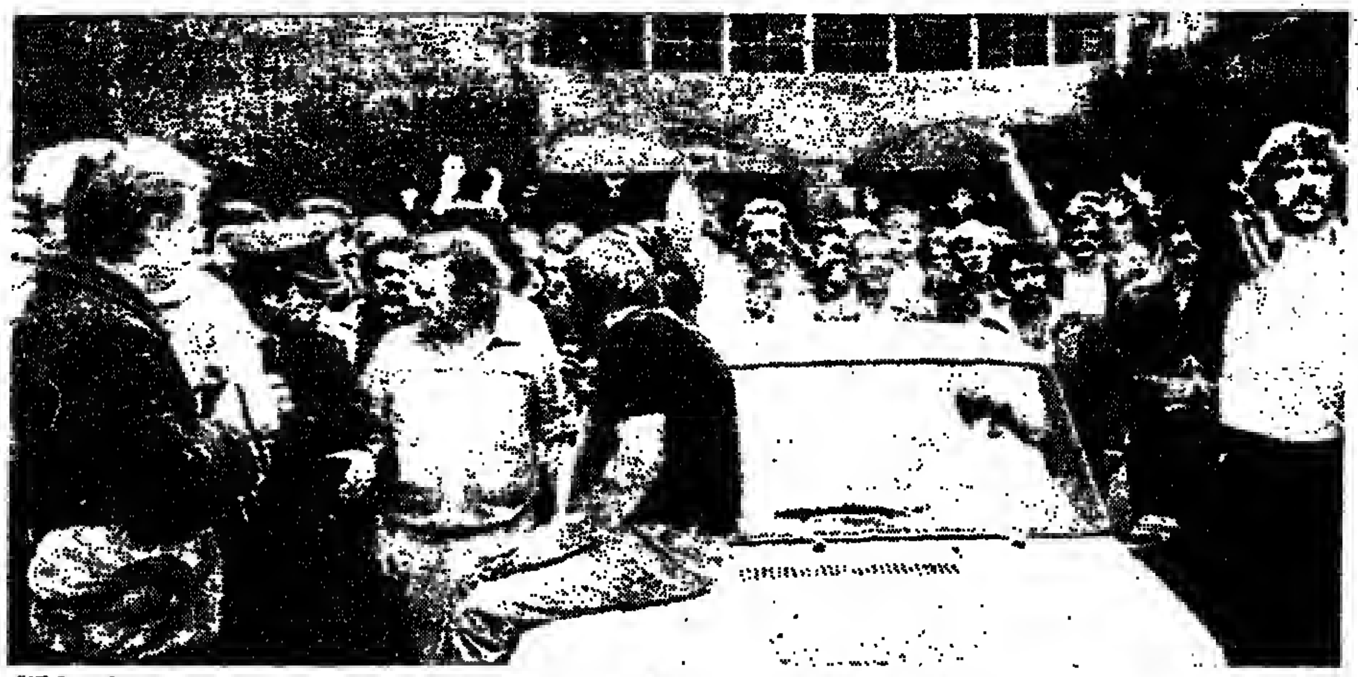
THE MOST traditional way of looking at the political scene in Europe is to lay it out on the traditional left-right spectrum. By this measure, judging by the general elections which have taken place over the last couple of years or so, one might conclude that the old world has been subject to rather violent oscillations.

In France, after a quarter of a century of Gaullism and meta-Gaullism, the Socialists at last returned from the wilderness in alliance with the Communists. In Spain, five years of post-Franco centrist democracy gave way to a major Socialist victory; in Sweden after a six-year gap the Social Democrats once more recaptured their traditional position as the governing party; and even in Italy the Christian Democrats lost so much ground that they were forced to accept the leadership of a socialist prime minister.

In Denmark, by contrast, the Social Democrats have been displaced by a minority centre-right coalition; in West Germany, the Christian Democrats in a new alliance with the Liberals have driven the Social Democrats out of office; and in Britain Mrs Thatcher's Conservative Party has won an overwhelming electoral victory, despite the apparent handicap of heavy unemployment.

The first inference to be drawn from this pattern of events is that the electorates have seen the difficulties of recent years as a reason for looking for change at the top. Two oil crises, and the attendant whirlwinds of recession and inflation, have imposed vast and unfamiliar pressures on the social fabric, and the voters have searched around for different leaders in the hope of different and better solutions.

The surprising thing is that this apparent volatility of electoral politics has not been mirrored by comparable volatility in the actions of newly-elected governments. On the contrary, there is a remarkable degree, if not of unanimity, at least of congruence in the way that different governments, even of quite widely varying political colours, have tackled the problems of inflation, recession and unemployment.



With raised fists and shouting slogans hundreds of harbour workers leave Maastunnel in Rotterdam on their way to the offices of trade unions and employment organisations to protest about the Government's austerity plans on pay

To be sure, the new Socialist administration of President Mitterrand indulged in a rash of socialist extravagance during its first year in power, as if it had failed to notice, during its long years in opposition, the consequences of socialist extravagance in Britain, or were incapable of recognising tha uncomfortable realities of the world economic situation.

Rigour

In the past year or so, however, the French Socialist government has been seeking to pursue a path of economic rigour which in terms of priorities, is indistinguishable from the austerity of Conservative Britain or conservative Germany.

Naturally, the centre-right governments in Holland and Denmark have been struggling to reverse the legacy of uncontrolled welfarism, inflation, budgetary deficits and foreign debt. But most of the newly arrived left-wing governments have been almost as cautious in giving way to carefree socialist impulse.

The Spanish Socialists under Felipe Gonzáles seem to have learned from the economic tribulations which beset their French colleagues. The Swedish Social Democrats under Olof Palme are still pressing ahead, despite serious popular opposition, with their plan for wage-earner funds to channel company profits to the unions; but in other respects they are conforming to the European norm, by trying to reform the state finances with tax increases and curbs on welfare spending.

Even in Italy, where the Christian Democrats remain, unreformed, the dominating power on the political scene, the new government under the socialist Bettino Craxi is making some attempt to get a grip on public spending, even if the International Monetary Fund judges that its efforts are still wholly inadequate.

In short, all governments, to a greater or lesser degree, have been forced by the constraints of external reality to recognise that the rapid growth and free-spending habits of the 1960s are now only memories, and that the budgetary deficits and mounting public debts which seemed in the 1970s to be a way of keeping those memories alive, have in practice led only to a painful awakening.

This does not mean that governments, of whatever colour, have good solutions to the problems of low growth, high unemployment, and old-fashioned and uncompetitive industries—they don't. But in the absence of good solutions, they have fallen back, with surprising unanimity, on measures to break the inflationary spiral, most notably by moving away from wage indexation, and on balancing the budgetary books.

What is surprising about this near-universal rejection of Keynesian reflationary ideas, is the relative docility with which it has been accepted by the European electorates.

To be sure there has been union resistance to Government austerity plans, as in the public sector strikes in Holland against wage reductions, but on the whole mass demonstrations and marches to protest against unemployment have been conspicuous by their absence.

One reason for this strange political calm may be that people have come to recognise that inflation and featherbedding lead only to a cul de sac, and that in the end the expansion of the public sector must be paid for in taxes; another that, despite the new emphasis on austerity, there remains a substantial protection in the welfare systems in many European countries.

Superpowers

The main reason, however, may be that Europe's economic woes are overshadowed by the steady deterioration in the international political climate, by worries over the frost in the U.S.-Soviet superpower relationship, and by the intensity of the Euromissile debate which dominates front pages of the newspapers throughout the continent.

By a strange and fateful coincidence, the economic crisis and the East-West crisis overlap with a crisis in the relations of the European countries with each other. This last crisis finds its most immediate expression in the European Community Summit which opens in Athens tomorrow; but the issues at stake go far beyond the size of the European budget, the financial rebate for Britain, or the reform of the Common Agricultural Policy.

In essence, the European governments know that they may be facing the choice between a closer integration, which would be difficult and possibly distasteful, and an incipient disintegration, which might be dangerous. If, for example, the 10 member states cannot reach those internal compromises which would open the door to Spanish and Portuguese membership of the European Community, Spain for one may abandon its candidacy, and as a consequence also leave Nato.

Naturally, national politics are still dominated by national issues: the reform of the army and the struggle against the Basque Eta terrorists in Spain, the violence in Northern Ireland, the setbacks to socialists and communists in French local elections, the troubles of the German steel industry, the middle-class demonstrations in Sweden against the planned wage-earners' fund, the public sector strike in Holland.

But over-arching all is the sense that Europe is facing a turning point. As a result of the East-West tension, France has re-examined its traditionally Gaullist defence doctrine and given it a more European slant; the missile crisis has not merely broken two decades of defence consensus in Germany, it has also revived deeper, and long-dormant questions about Germany's place at the frontier between East and West.

European governments do not have any immediate answers to these new uncertainties over old problems, any more than they do to the problems of recession and industrial decline. But the hush which has descended on Europe suggests that they, and perhaps their electorates, have a sense of what is at stake.

The Soviet Union shows signs of retreating into a prickly, Fortress Russia mentality, Anthony Robinson reports

The dialogue ceases

THE FAILURE of Mr Yuri Andropov, the Soviet state and party leader, to appear on the reviewing stand above Lenin's mausoleum for the November 7 anniversary of the Bolshevik revolution, and the Soviet decision to walk out of the intermediate nuclear force (INF) talks in Geneva a fortnight later has injected two powerful unknown elements into the chilly brew of East-West relations.

Not only are East and West no longer talking together formally over the future of the intermediate range nuclear missiles but grave doubts are growing about the political and physical health of the final decision taker on the Soviet side.

It takes an effort to recall that just over a year ago the world accepted with some relief the emergence of Mr Andropov as a man with the skill and experience required to guide the Soviet super-power through a particularly testing time for both East and West. But the early impression of a man in a hurry with clear objectives was not sustained. Evidence quickly grew of powerful resistance to change amongst the entrenched bureaucracy anxious for its powers and privileges.

Although backed by powerful lobbies in the security and defence establishments and among foreign policy experts Mr Andropov does not appear to have had either the robust health and energy or the time to build up his own loyal power base. The politburo remains Mr Brezhnev's politburo—minus two, departed this life in the meantime. Lower down the process of building up his supporters amongst the better educated 50-year-olds in the government and party apparatus has been more successful.

Missiles

But the early diplomatic initiatives which hinted at a desire for better relations with the U.S., willingness to explore the possibility of a solution to the Afghan problem, a strong bid to improve relations with China abroad and a crackdown on corruption and indiscipline at home all appear to have run into the sands.

Most importantly of all the refusal to budge from the basic Soviet negotiating position that the Soviet Union would maka concessions on SS-20 missile deployment only if the U.S. accepted zero deployment of similar U.S. land-based missiles in Western Europe guaranteed the eventual Soviet walk-out from the INF talks. This took place on November 22, after the West German Bundestag approved U.S. missile deployment and the first Pershing 2 rockets in crates started landing on West German military airfields.

Who will succeed Mr Yuri Andropov, the Soviet state and party leader? The two principal contenders are Mr Grigori Romanov, the 60-year-old former Leningrad party chief and (right) 53-year-old Mikhail Gorbachev

The failure of Mr Andropov to appear in public for over three months, inevitably raises question marks over his political survivability as well as his health.

Franco, Tito and Mr Brezhnev himself were all kept alive artificially for long periods—long enough cynics maintain for their successors to agree among themselves about the succession before allowing nature to take its course. Mr Brezhnev remained in power for seven years despite frequent disappearances and bouts of ill-health largely because a politburo deadlock prevented the selection of a younger and fitter successor.

Similar factors could be at work around Mr Andropov. But even if he recovers physically he will almost certainly never be viewed again as anything but an interim leader, and thus by definition a lame duck.

The main question now is whether the older men in the Politburo—the majority that is—will again insist on one of their number as leader or whether this time they will accept the need for a younger, healthier man—like Mr Grigori Romanov, the 60-year-old former Leningrad party chief, or 53-year-old Mikhail Gorbachev, or a form of interim collective leadership with both men playing key roles.

In fact, a form of collective leadership is probably running the Soviet Union now in Mr Andropov's absence, reflecting the various lobbies and interest groups of the Soviet system. Inevitably westerners speculate as to whether the absence of Mr Andropov automatically increases the power of the armed forces, particularly at this critical time when arms control negotiations—both INF and Start as well as the Vienna talks on mutual and balanced conventional force reductions—are not only the vital stuff of East-West relations but virtually the only significant area of East-West contact, outside normal trade and finance.

Powerful

The answer is almost certainly that the voice of the Soviet military is powerful and has been increasing. It could hardly be otherwise given the disproportionate amount of economic and financial resources devoted to the military sector and the very limited participation of what is known in the West as civil society not only in the Soviet system but in previous Czarist forms of autocracy before it.

Mr Andropov, because of his security background and support from the military and the foreign affairs establishment, is probably more closely connected with the military-security establishment than any other Soviet leader to date — except Stalin who was in a class of his own as a tyrant who ruled through the secret police.

Ironically, however, much of the opposition to Mr Andropov appears to come from those whose power base is the party organisation — the traditional and conventional basis of power and authority in a Communist state.

Mr Andropov'e illness appears to have been seized upon by such party representatives as Mr Konstantin Chernenko to reassert the party's power and prestige as an institution.

All top decision makers in all Soviet institutions are party members and usually hold important party posts such as central committee members. But powerful currents and lobbying for power and resources takes place between the various institutions and this reaches its pitch during a time of leadership struggle and selection which now appears to be the case.

Ideally the men in the Kremlin would like the rest of the world to go away at such times. But not for a long time has the international situation been so tense or demanding such urgent attention as it is now.

Humiliated by the strong reaction of world wide public opinion to the Korean aircraft disaster and dealt another blow by the U.S. invasion of Grenada —the first use of U.S. combat troops for such a mission since Vietnam—the Soviet Union shows many signs of wishing to retreat into a prickly, Fortress Russia mentality.

America is, and seems likely to remain, the main Soviet bugbear. Europe and Japan are still seen essentially by Moscow as important but essentially peripheral. The main Soviet obsession is and remains its relationship with Washington.

Meanwhile Eastern Europe, too, is suffering the economic consequences of the slow-down in world trade and the economic, trade and financial repercussions of the 1981 debt crisis.

On top of this both East Germany end Czechoslovakia have been chosen to host updated and modernised Soviet short-range nuclear missiles, as part of the response to INF modernisation in Western Europe. Times are hard, and look set to get harder before they get better.

Reginald Dale, U.S. editor, reports on the different perceptions on both sides of the Atlantic

New pressures on U.S. European relations

IT IS a commonplace of modern American Administrations that they quickly get fed up with Europeans — West Europeans, that is. The refrain from Washington has even acquired a certain monotony.

Europeans, the Americans say, complain when they do not have American leadership and then complain even more strongly when they do. They complain when the dollar is weak, they complain when the dollar is strong. They complain when they are not consulted and they complain when they are—invariably their views are not taken sufficiently into account.

That may be a parody of tha U.S.-European relationship in the 1980s, but it is certainly one that is believed by many leading Americans in Washington, not to mention much of the general public. Tha general public also tends to believe that Europeans are self-seeking, decadent and unwilling to make a serious contribution to their own defence.

Californian

Many members of the Reagan Administration undoubtedly feel much the same thing, at least at the back of their minds. The Reagan Administration is not overly preoccupied with European affairs.

The background of President Ronald Reagan, and many of his closest advisers, is Californian. Mr Reagan believes that the Pacific is more important than the Atlantic, as he made abundantly clear on his trip to Japan and South Korea last month (the history of the 21st century may well prove him right).

The differences with Europeans are seen at their starkest in today's Washington in the broad field of East-West relations. Tha last year has not seen a major dispute of the magnitude of the row over the Siberian natural gas pipeline in 1982. But there has been no change in the underlying political and philosophical divisions — indeed the Reagan Administration, with its black-and-white approach to the world has if anything brought them into sharper focus.

Mr Reagan believes that Soviet-inspired Communism is to be confronted wherever it is found around the world and that Moscow is at the heart of an "evil empire." Europeans tend to believe that they must live *with* their vast Soviet neighbour, and that tension is best reduced by developing contacts, particularly in the trade and economic fields.

The Reagan Administration wants to restrain Western exports of high technology to the East bloc, which happen to be the source of considerable revenue for West Europeans, while it sees nothing wrong with grain sales to the Soviet Union ("feeding the Soviet army," as Mr Reagan's right-wing critics charge), which happen to benefit electorally important American farmers.

The Europeans are also more widely seen as letting the U.S. down in the clash between the two ideological systems, whether it be in votes in the United Nations, failing to impose economic sanctions or in opposing the U.S. invasion of Grenada — a major move, in Washington's view, against Soviet-backed worldwide Marxist expansionism.

The biggest strain in the alliance in recent months bas stemmed precisely from the Grenada incident, and particularly from the British attitude to it. Even the anglophile defence secretary, Mr Caspar Weinberger, was enraged by *Mrs Thatcher's repudiation* of the U.S. intervention, particularly given the foreign policy risks that the Reagan Administration took in supporting Britain over the Falklands.

Strain

The strain in Anglo-U.S. relations, like many misunderstandings in the past, will soon pass—although the incident has once again demonstrated that London still attaches excessive *nostalgic* importance to a "special relationship" that most of today's Americans have never even heard of.

In the broader sense, however, the Grenada invasion allowed Europeans to amplify *their own fears*—totally misguided in Washington's eyes—that Mr Reagan would prove trigger-bappy in starting a nuclear war. The Grenada invasion, fortuitously, came only days before the new generation of U.S. cruise and Pershing 2 missiles were due to start arriving in Europe.

In Washington, only the traditionally pro-European, but increasingly less influential State Department was concerned that Europeans might make a link betwen the two events. With the decline of the old Europe-leaning Eastern establishment in the U.S., the State Department as an institution is no longer the power it once was, regardless of how influential a particular State Secretary may be at any particular time.

Nevertheless, the missiles have concentrated the Administration's attention on Europe in recent weeks—if only because of the ghasty consequence for the U.S. stance against the Soviet Union if deployment failed to take place on schedule (given that negotiations to ban the missiles were doomed to fail from the start).

The missile deployment is probably the biggest test of Western will to stand up to the Soviet Union since the 1962 Cuban missile crisis, in the view of many independent observers bere, although even the Reagan Administration bas been slow to see it.

Failure to deploy the missiles would bave meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governmeots which forced it through—the Britisb, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. *relations* with the *Socialist* Government of President Mitterrand remain at a level of almost schoolboyish beastliness.

Failure to deploy the missiles would uodoubtedly have led to a major reassessment of the U.S.-European relationsbip lo Washington. Senior U.S. officials bave warned that things would never have heen the same again —the Europeans would finally and irredeemably have proved that the parody picture of them was real, and the next step would have heen mounting political pressure in Wasbington for the withdrawal of all American forces from Europe.

Deployment has saved the day, at least for the time being. But, given the growing differences of perception between the two sides of the Atlantic—and the emergence of a new generation that does not remember World War II—the pressures that could cause a serious rupture in the Alliance are more likely to strengthen than *weaken.*

Amid tight security cruise missiles arrive in a U.S. Starlifter at Greenham Common airbase, Berkshire. The Reagan Administration is showing new respect for governments which have forced through deployment

Stewart Fleming in Washington examines the rash of irritations in economic relations between the U.S. and Europe.

Many issues unresolved

WHEN CONGRESS finally packed its bags last month and headed home for the long Christmas break, it had at the eleventh hour, cleared np one issue which could have become another irritant in relations between the U.S. and the Common Market countries by voting *to approve the $8.4bn U.S. contribution* to the International Monetary Fund.

But it left behind in Washington a rash of other issues which will ensure that diplomats on both continents will have to work hard as the U.S. Presidential election approaches to ensure that relations in the economic sphere do not deteriorate again to the levels of disharmony apparent in 1982.

Last year was widely seen as one of the worst in recent memory for economic tensions between the U.S. and the EEC. A recession in the U.S. and in the Common Market countries, exacerbated in the eyes of many European policymakers hy a combination of monetary and fiscal policy in the U.S. which exposed Europe to tha repercussions of volatile U.S. interest rates, was at the root of the problem.

But on top of fundamental misunderstandings in the field of economic policy, lay festering tensions in the trade field and, of course, the bitter dispute over the Reagan Administration's efforts to emhargo the export of gas pipeline equipment to the Soviet Union while at the same time continuing U.S. grain sales to the East hloc.

The U.S. decision finally to retreat on the gas pipelina issue, although clumsily executed, coupled with the volte face which the Federal Reserve *executed on monetary policy* in tha face of the developing country deht crises in late 1982, have helped to create a better framework against which economic issues can be debated.

Upturn

The U.S. economy has, against most predictions, roared back into life this year at a rate which economists judge to be typical of the vigorous economic upswing America has come to expect in the first year of an economic recovery.

The strength of this npturn has already encouraged international agencies such as tha International Monetary Fund to revise upwards its estimates for economic growth in 1984, and has formed a foundation from which, it is hoped, both the industrial and the developing world may be able to climb out of recession.

The emphasis here, however, still remains on the possibility, rather than the probability of such a world wide economic recovery occurring. Mr Helmut Schmidt, the former West German Chancellor of tha Exchequer is not the only experienced politician and economist who still doubts whether the U.S. recovery will be sustained much beyond the latter half of 1984.

One reason for the doubts was the failure of the Congress last month to make any progress whatsoever with the ambitious targets it set itself for reducing the intractable $200bn a year Federal Budget deficit, a deficit which even Reagan Administration officials such as Mr Martin Feldstein, chairman of the Council of Economic Advisers concede currently stretch out into the future as far as the eye can see.

The majority of economists on both sides of the Atlantic see in these deficits a fundamental factor which helps to account for the high level of real interest rates in the U.S. and therefore *the strength of* the dollar on the foreign exchanges, a strength which, while it has helped exports to U.S. markets has made it harder for domestic policy makers outside the U.S. to ease their monetary policies.

Alongside these considerations, however, is the longer term worry that the scale of the U.S. budget deficits will ultimately prevent the U.S. from enjoying a sustained economic expansion and will result in renewed rises in interest rates in the U.S. as a result of a clash between public and private credit demands. Europeans are undoubtedly encouraged by the progress which the U.S. has made in fighting inflation, but U.S. fiscal policy promises to be a continuing source *of diplomatic tensions.*

Problem area

It is far from being tha only problem area, however. It seemed earlier this year that some of the most difficult trade relations tensions have also been eased bnt there are continuing doubts about the trade outlook.

The top level visit of U.S. policymakers including Mr George Schultz and Mr William Brock to the EEC early in Decemher nnderlines just how strongly the Americans continue to feel about the EEC Commission's proposals to impose taxes or quotas on some *European imports of agricultural* products such as corn glnten, in order to raise revenua or make it easier for European farmers to sell their animal feed products.

At one stage, too, it seemed that the issue of alleged dumping of EEC steel products in the U.S. had also been resolved by the voluntary licensing agreement which ensured European steel makers of specific shares of the U.S. market in 10 key carbon steel products. But the emergence *of* third world exporters as a growing force in the U.S. steel market, and renewed signs that some U.S. steel makers may resort once again to U.S. trade laws for protection, is threatening to upset *that voluntary* agreement.

In an election year, U.S. industry clearly feels that it has the most leverage.

From the European side, too, there remains profound suspicions about what is seen as the Reagan Administration's pursuit of extra-territorial claims for U.S. laws, and, particularly in the area of controls of exports to Eastern bloc countries.

Both the looming election and the uncertain economic outlook make it difficult to judge how relations will evolve. Most Democratic candidates for the Presidency have been sounding more protectionist than an incumbent Administration which professes support for free trada but, like much of American industry, is putting heavy emphasis on the requirement that trade must also be fair and that U.S. trade laws must be strictly *enforced.*

Most governments are not sending high-calibre senior politicians to Brussels, creating a lack of confidence among the delegated officials , as **John Wyles** reports

Doubts about Commission

THERE IS a notable consensus in Brussels that the European Commission headed by M. Gaston Tborn is one of the weakest in the history of the Community. This opinion is particularly strongly held by officials in the national delegations to the Community and is even widespread among senior Eurocrats wbo serve the Commission.

M Thorn himself is frequently held to be incapable of effective leadership while many of his colleagues are thought to be of low calibre and lacking sound political sense.

Obviously, this is not a happy reputation for the 14 commissioners to be saddled with as they enter their last year of office. If nothing else, it may damage their prospects of fresh political employment if their governments choose not to send them back to the Commission. It is also somewbat unfair because if the Commission is held in low esteem, a lot of the blame must be laid squarely at the doors of the governments.

Consequences

It is the governments, after all, who appoint the Commissioners and in so doing, they deny the President of the Commission the right to select his colleagues. This has had two consequences. The first is that, by and large, governments have not managed to send high calibre senior politicians to Brussels.

This is less true of the smaller member states which attach a higher priority to having the "right man" in Brussels than of the larger countries. Small country politicians see a Commission job as a worthwhile thing to do which is likely to further, rather than handicap, their careers. In the present Commission, Mr Frans Andriessen, the Competition Commissioner from the Netherlands, and Belgium's M Etienne Davignon, who looks after Industry and Energy, are the two best examplea of able ambitious politicians for whom there will be life after the Commission.

Sadly, Greece and Ireland have not fielded their greatest sons in Georgis Konostgeorgis and Richard Burke and Denmark's Poul Dalsager, while a wily bird, is not as effective in tha agricultural portfolio as his admittedly outstanding predecessor Finn Gundelach.

The big countries, meanwhile, which each send two Commissioners to Brussels, seem to be having increasing difficulty in prising potential candidates out of national life and persuading them of the value of passing at least four years in Community politics.

This is particularly true of West Germany whose Commissioners share with a succession of German governments the inability to assert their country's potential weight in Community affairs.

France has e rather better record in appointing Commissioners, who both make a mark in Brussels and are national politicians in their own right. M Raymond Barre, the former Prime Minister, and M Claude Cheyssoo, the present Foreign Minister, hava both done important spells in the Berlaymont in Brussels.

The present French Commissioners, M Francois-Xavier Ortoli and M Edgard Pisani, both have past Ministerial experience. A former Commission President, M Ortoli has been an important asset to the present Commission and has worked to some effect behind the scenes in persuading governments of tha need for greater co-ordination of their economic policies. His colleague, M Pisani, is the Commissioner for overseas development and is altogether more eccentric and politically erratic.

Of the two present Italian Commissioners, Lorenzo Natali, who looks after the enlargement negotiations, is regarded as more effective than his colleague Antonio Giolitti (Regional Policy), but neither is a very consistent influence on Commission policies.

In Christopher Tugendhat and Ivor Richard, the British have Commissioners who want careers back in national politics but who have yet to demonstrate in Brussels that they are politicians of special qualities.

Nominee

M Tborn, like previous Presidents before him, was the joint nominee of Community heads of government. But he, again like his predecessors, has laboured with the difficulties of working with colleagues who were not of his choice and with a system of job allocation which denies the President prime ministerial powers to hire and fire. But be got off to an unfortunate start in January 1981 by allowing M Davignon to secure two of the Commission's best portfolios—energy and industrial affairs.

This has given the Belgian Commissioner inordinate power within the Commission which he has never been reluctant to exploit. It also meant that there were insufficient jobs of any importance to share out among the other Commissioners. Ireland's Mr Burke, who replaced Michale O'Kennedy in 1982, is, for example, underemployed.

M Thorn's inability to exercise consistent authority has become an important source of the Commission's weakness. His approach to decision-making is too often that of a chairman lacking any clear conception of what the Commission should be doing on tha issue in question. Too often his primary concern is said to be an anxiety to wring the lowest common denominator of agreement ont of his colleagues.

The results often leave the Commission open to charges of inconsistency and weak political judgment.

Thus, tha Commission's approach to reforming the Common Agricultural Policy in 1983 daparted in several major respects from the strategy adopted in the spring of 1981 which was altogether tougher. M Thorn would argue that the later proposals were more "politically realistic," but if the Commission is failing to face member governments with the requiremeots for tough decisions, there is no other EEC institution capable of so doing.

One measure of the Commission's effectiveness is the extent to which its proposals are the basis for the key decisions taken by the Council of Ministers. Given the range and variety of decisions taken every year, generalisation is almost impossible. But key 1981 proposals for reforming the Regional Development Fund have had to be fundamentally revised two years later.

There are also good reasons to donbt whether final agreements between member states to economise on the CAP and solve the British budget problem will hear much detailed resemblance to the Commission's original thinking.

But there are very precise limits on whst this or any other Commission could achieve in the face of the inertia which grips council decision-making. Economic recession, conflicting national interests and clashing political ideologies have gravely weakened the Community's political development over the past five years.

Balance of power

Enlargement to include Spain and Portugal will not improve the outlook and will certainly tax the Commission to be heeded by M Thorn's successor, who will be appointed in the middle of next year. He will be as concerned as the present President to reverse the shift in the balance of power between the Commission and the Council which has been going on for the last ten years.

But if governments are concerned to improve the Community, they could begin by selecting a President of proven experience and international standing, by building up his authority over his colleagues and by nominating the highest quality Commissioners they can find.

M Gaston Thorn in the chair as president of the European Commission. Leadership and the standing of the 14 commissioners is regarded as being at a low level as they enter their last year of office

Rhetoric and complaints strain relationships with the U.S. and point up divisions in Brussels.

Conflicts with Washington

A VIEW held by some diplomats and Community officials in Brussels is that if the Common Agricultural Policy is ever reformed it will be as much due to the campaigning of the Reagan Administration as to the efforts of member governments.

Left to themselves, it is said, member governments have too little interest and incentive to make any radical changes to the CAP. Their awareness of its shortcomings, however, is said to have been made much more acute by Washington's sustained attack on the EEC's use of export subsidies to dispose of its surplus production.

One does not have to accept all of this argument to acknowledge that U.S. efforts may be a positive influence for change to the CAP. Nor should the enormous resentment created by the Reagan Administration's tactics be forgotten.

Complaints

The avalanche of formal complaints to the General Agreement on Tariffs and Trade (Gatt), hostile rhetoric and the snatching away of a traditional EEC market for wheat flour in Egypt through the use of American subsidies has done nothing to improve Europe's relations with the U.S. at a time when they have been under strain on other fronts.

Added together, the points of conflict point to a badly troubled relationship, although Nato diplomats constantly reaffirm that commercial and other tensions have not had any adverse impact on the Alliance.

Having settled the 1982 rows over European sales of equipment for the Soviet gas pipeline and EEC carbon steel exports to the U.S., Euro-U.S. relations have had to cope this year with the grumbling agricultural row, the imposition of special tariffs on imports into the U.S. of European special steels, the "unitary taxation" system imposed by some American states on foreign companies and differences of approach to several international financial and monetary issues.

Clearly, these disagreements are not all of equal gravity. Differences with the U.S. over funding by the International Monetary Fund and how to handle the Third World debt crisis are seen in Europe as part of the warp and woof of dealing with the kind of conservative administration that President Reagan leads.

The main protagonists, Britain, France and West Germany, are themselves somewhat ideologically divided and have not reached common positions on financial and monetary questions without some difficulty. They remain at odds over the extent to which exchange rate instability can be countered by official intervention and over the degree of financial help that should be given to countries with heavy overseas debt burdens.

The special steels row creates rather more anxiety because it is seen as a symptom of the Reagan Administration's sensitivity to protectionist lobbies in the run-up to the next presidential election.

The sensitivity extends, naturally enough, to the U.S. Congress which is quite capable of passing legislation in the coming year which might, for example, limit sales of French and Italian wine in the U.S.

Agriculture still looks to be the most troublesome issue for the next 12 months. Federal aid and the Payment in Kind arrangements hava helped make this year a far less financially painful time for U.S. farmers than tha past few years. But Europeans do not expect the U.S. farming lobby to relax its pressure in an election year and fear of provoking retaliation is giving them pause over two key issues in the EEC's CAP reform negotiations.

The first is the European Commission's proposal to seek a standstill on the Community's $450m a year imports of U.S. cereals substitutes, principally maize gluten feed. A by-product of the manufacture of artificial sweeteners, maize gluten feed has become an immensely popular animal feed in the EEC because of its price advantage over domestically produced cereal feeds.

Surplus

The rationale for trying to peg back imports at about present levels is the need to create a larger domestic market for the Community's cereals surplus. The impact on production costs, the Commission argues, should steadily fall if the Community succeeds in its objective of aligning its cereals prices with thoe of other major world producers.

The Reagan Administration is deeply opposed to this proposal and has lobbied hard and effectively against it. There is little chance of the Community negotiating a standstill on imports since the Federal Government is not empowered by U.S. legislation to negotiate voluntary restraint arrangements.

The Commission's objective would, therefore, have to be secured through tha Gatt and compensation would have to be offered to the U.S. in the form of trade concessions.

Tha British, the Dutch, tha Danes and the West Germans are all extremely cautious about taking this path. Nevertheless, its final adoption cannot be ruled out because France is making it a precondition for acceptanca of price limitations and other measures to curb domestic EEC cereals production.

The other Commission proposal which has outraged Washington, an EEC tax on all oils and fats, has much less chance of adoption. The U.S. fears that it will eventually hit its $4bn exports of soya to the EEC on the grounds that once the principle of a tax is accepted it will be progressively increased so as to boost butter sales in the Community by raising seed oil prices.

The Commission's proposal is widely regarded in EEC capitals as ineffective and ducking the problem of how to cope with the Community's olive oil surplus and butter mountain. Despite French pressure, it looks unlikely to win endorsement.

The hope in Europe is that conflicts in agriculture and elsewhere can be minimised and contained and new clashes avoided, through more effective communication with the U.S. Both sides have put a great deal of effort into strengthening the EEC-U.S. dialogue in the past two years and this has undoubtedly helped the search for solutions.

On Friday, Mr George Shultz, the U.S. Secretary of State, will, for the third year running, be leading a top-level team from the Reagan Administration in talks in Brussels with the European Commission. For the two sides tha task will be to find a common approach in what could be a very politically bumpy year.

John Wyles

Super-power parity has become the Soviet Union's obsession

Moscow's attention on the U.S.

MOSCOW is obsessed with the United States far more than with Europe and there is more than a hint of a lover jilted in the bitterness of Soviet reactions to the harsh rhetoric of President Reagan.

It has not always been like that, however. In the first decades of the Soviet state the priority was to survive in a hostile and suspicious European environment and then to build up its economic and military strength against Hitler in the West and his ally Japan in the East.

But the overwhelming ambition to achieve super-power parity with the United States has steadily taken on the dimension of an obsession ever since Stalin's victory over the Nazi's at Stalingrad first opened up the alluring vista of Soviet super-power status.

The end of World War II brought the Red Army to the Elbe. Soviet political, economic and military hegemony over the nations of Eastern Europe remains today one of the assets which enable the Soviet Union to play its great power role. Maintenance of this control remains therefore one of the top Soviet foreign policy objectives.

That said the nature of its relationship with Eastern Europe has changed from the simple exploitation of the post-war years. As in the Soviet Union itself nationalism is proving a much more potent force than marxism or any other ideology. Given the longstanding nature of the national and cultural rivalries of the region the Soviet Union has acknowledged that nationalism can be played two ways.

For a start, recognising limited national variants of the basic Soviet model has permitted the survival of considerable national and cultural autonomy in Eastern Europe.

Unrest

In recompense Moscow has had the satisfaction of never having to face anything like a unified rejection of the Soviet model or Soviet control and has been able to keep unrest limited to one country at a time or at least prevent dangerous international links. East Germany in 1953, Hungary and Poland in 1956, Czechoslovakia in 1968, Poland again since 1980, have all been essentially limited national outbreaks, containable by the Soviet Union by a mixture of force, blandishment and continual pressure.

Meanwhile the organisation of East European military forces into the Soviet-controlled Warsaw Pact organisation and efforts to build on East European dependence on Soviet oil and raw materials by encouraging greater economic integration through Comecon have also added to the economic skills and economic capacity available for the modernisation of Soviet industry and agriculture.

The latest Soviet move has been to persuade Herr Erich Honecker of East Germany and President Gustav Husak of Czechoslovakia to deploy and pay the cost of new Soviet tactical nuclear weapons on their soil, ostensibly in reply to the cruise and Pershing 2 deployment in the West.

Having sealed off the two halves of Europe by an iron fence running the length of East Germany, Czechoslovakia and beyond, the Soviet Union over the past 15 years in particular has moved to improve its political, economic, financial and even cultural ties with Western Europe.

But the greatest progress was made at the beginning with the 1971 four-power agreement on Berlin and the peace treaties between West Germany and Poland, the Soviet Union and East Germany.

West Germany is and will remain the most important European state in Soviet eyes, partly because the existence of a divided Germany gives it more leverage than elsewhere. The Americans also see West Germany as the most important European power and successive free elections in West Germany have consistently shown the country's loyalty to the western alliance.

There is no doubt that Moscow was deeply disappointed at the results of the last West German elections and the victory of the Christian Democrat-led coalition. The recent reversal of the SPD party on the missile issue is only a scant consolation prize for the Bundestag vote in favour of deployment and the arrival of the first Pershing 2s in West Germany.

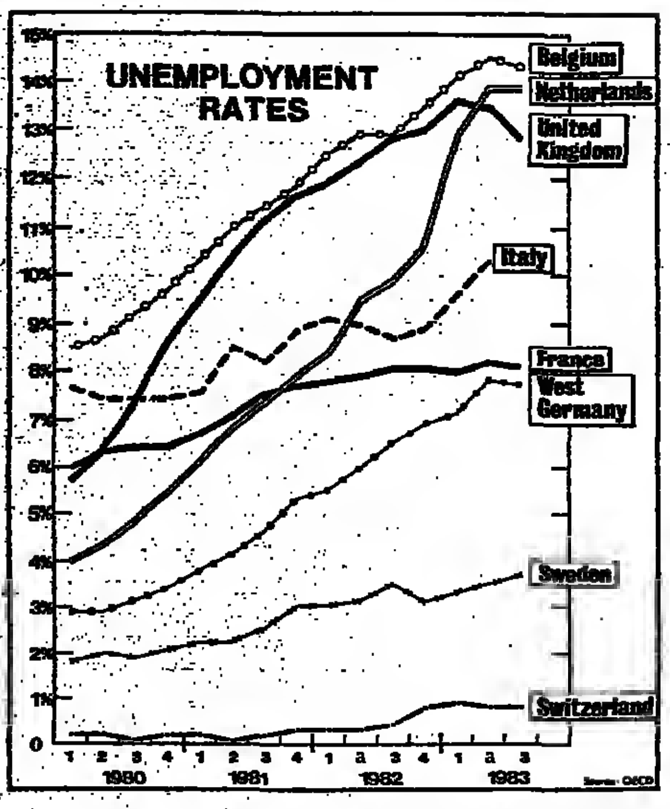
Voting strength

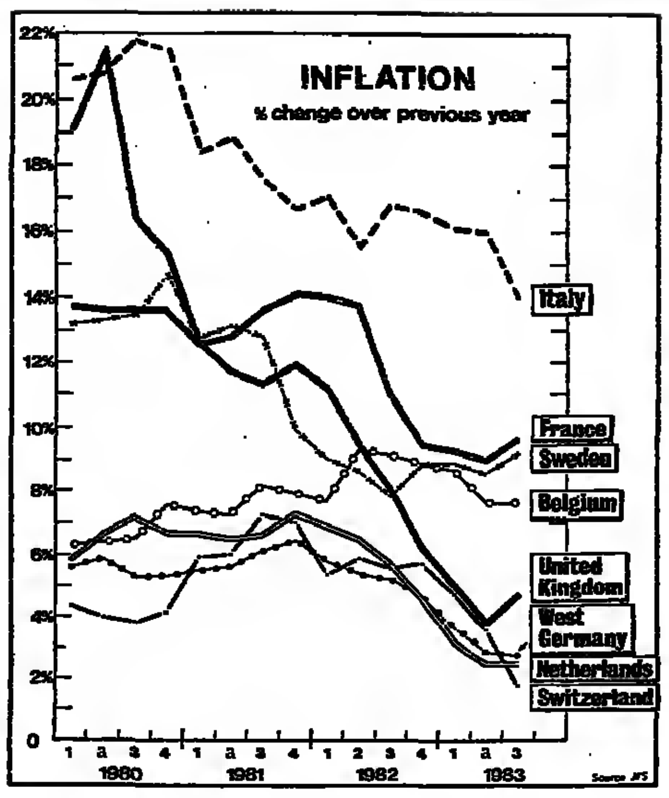
Elsewhere, France under President Mitterrand, Italy with a Euro-Communist party whose voting strength depends partly on independence from Moscow and Britain with the "Iron lady" are all useful sources of intelligence, technology and finance and worth keeping an eye on, especially Paris with its African links and London with its former imperial connections.

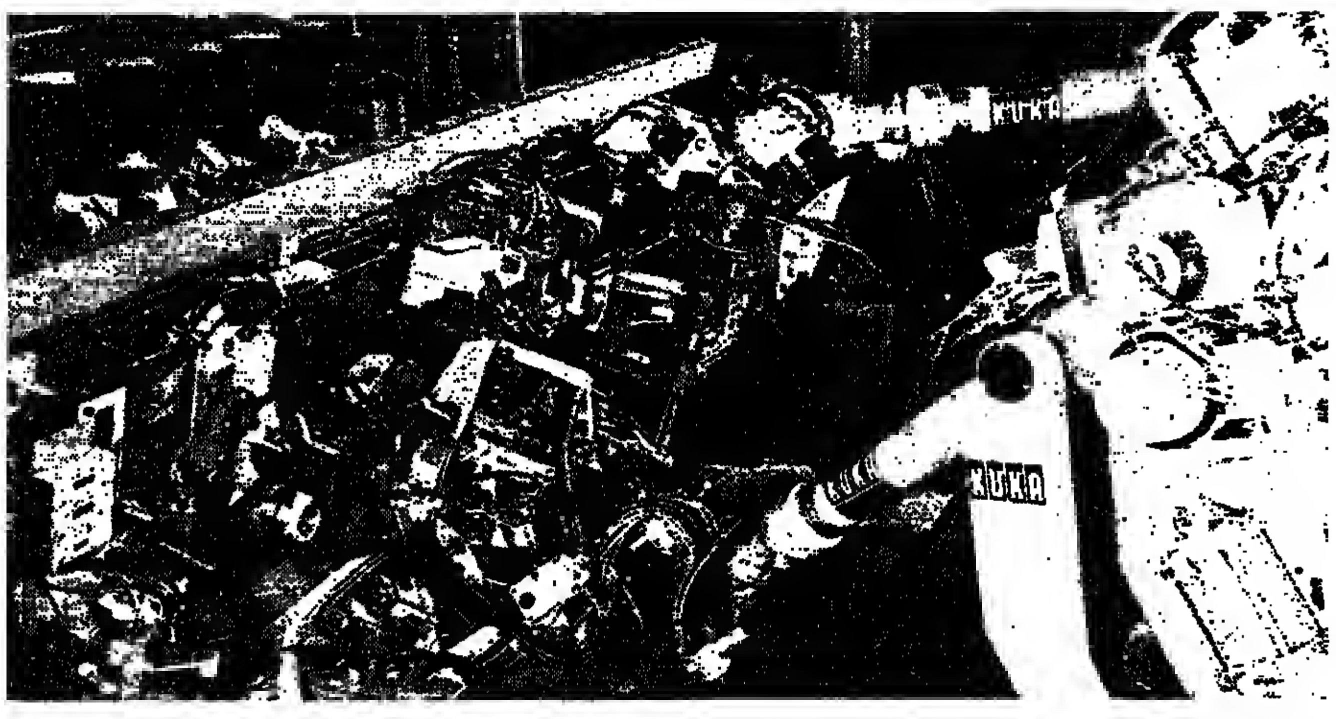
If ever one or several West European countries could be encouraged to opt for neutralism, reject the Atlantic Alliance and rely on Moscow's good will and kind heart, however, that would be a different situation altogether.

Nothing would more successfully tip the balance of power in the Soviet direction. Unfortunately for Moscow that is well understood across the Atlantic, although sometimes Europeans do wobble.

Anthony Robinson







Europe's motor manufacturers have invested heavily in new capital equipment in a bid to match Japanese levels of efficiency. Fixed investment by industry in general has been badly hit by the recession, however, and this could prove to be a brake on efforts to reduce unemployment

Max Wilkinson, Economics Correspondent, sees signs of a pick-up in activity in most major countries in Europe

Prospects tied to strength of U.S. recovery

AFTER TWO years of stagnation there are now some encouraging signs of a pick-up in economic activity in Europe.

The UK was the first country to go into recession and has plunged deeper than other countries but it has also been the first to show significant signs of recovery.

The UK Treasury's forecast that output in 1983 will be 3 per cent above last year's level, followed by further growth of 3 per cent in 1984, is substantially better than current forecasts for any other European country.

In Europe as a whole growth of less than 1 per cent is generally expected for this year, with a fall of perhaps 2 per cent in the Italian economic output and little growth in France or West Germany.

The prospects for Europe therefore depend crucially on the continued strength of recovery elsewhere in the world and particularly in the U.S., Canada and Japan.

The vigour of the U.S. recovery has continued to surprise commentators. Moreover, the growth rate in the third quarter showed an annualised rate of 7.9 per cent, considerably higher than the financial markets were expecting. There is every indication that recovery will continue to be robust in the third quarter, and the UK National Institute of Economic and Social Research (NIESR) is predicting growth of 3.3 per cent this year in the U.S. accelerating to an annual increase of 5.4 per cent in 1984.

Doubts on recovery

Some commentators, however, believe the rate of recovery in the U.S. will falter next year as the initial impetus from consumer spending and the turnround of stocks begins to falter.

They believe that high interest rates and the continued slackness of demand will tend to inhibit a recovery of investment in the U.S. and that as long as the dollar remains high an increased leakage of demand through external trade is expected.

However, even if there is some slowing down in the rate of U.S. growth next year the summer forecast of the Organisation for Economic Co-operation and Development (OECD) of 4½ per cent U.S. growth for 1984 would still command general support.

Continued U.S. recovery will be of crucial importance to several European countries, particularly France and Italy, both of which seem set to move *deeper into recession.*

In France recent surveys of business confidence have appeared unfavourable, with concern still expressed about excessive stock levels. Consumers' expenditure has appeared static or falling under the impact of the increase in taxes announced in the budget and the continued fairly rapid inflation rate in relation to the rise in earnings.

The French Government is predicting a rise of 1 per cent in output next year but some commentators are sceptical, in view of the uncertainty, as to whether the lowest point in the stocks cycle has yet been reached.

In Italy the outlook appears even gloomier after a second quarter in which Gross Domestic Product was 3½ per cent below its level a year earlier and industrial production 9 per cent lower.

For 1983 as a whole a substantial fall in investment, with some reduction in consumers' expenditure, is generally expected to lead to a decline in *output of perhaps as* much as 2 per cent. If growth resumes next year it seems likely to be at a fairly slow rate.

The West German economy, on the other hand, has been performing somewhat better than was expected at the start of the year. Output rose by 1 per cent in the first half of the year and there are indications that despite the Government's tight fiscal regime modest recovery will continue next year as increased investment and some rebound of exports take over from consumer spending as the main engines of growth.

Overall the NIESR predicts a European growth rate of 3.3 per cent next year, almost exactly the same as the OECD's July forecast.

However, although there has been some evidence in the UK and elsewhere that the rise in unemployment may be coming to an end there is still no widespread evidence that a decisive turning point has been reached.

Rates of increase

Moreover, the rates of increase in output now envisaged seem hardly more than enough to absorb the expected increase in productivity and the rising number of people available for work—without providing much additional expansion to bring about a reduction in the number unemployed.

Considerable fears have also been voiced that the recent recession may have led to a depletion of the capital stock in Europe. The increase in fixed investment in the developed world has declined to an annual average of only about ½ per cent during the last 10 years compared with an annual increase of about 6 per cent in the 1960s and early 1970s.

There is some doubt therefore whether adequate capacity exists to reduce unemployment at anything but a fairly slow rate.

For the immediate future there seems little prospect of any significant effort by European governments to accelerate the rate of growth by increasing budget deficits and government consumption. The conservative governments in the UK and West Germany have declared their commitments to continue tight fiscal policies. In France the collapse of the Socialist Government's attempts to expand demand have led to a reaction of perhaps even greater fiscal severity than in West Germany or the UK.

Policy in France seems likely to be focused for some time on defence of the franc and the defeat of domestic inflation, which this year is expected to be a little over 9 per cent, some 4 percentage points above the average for the developed world.

In Western Europe as a whole the current inflation rate of about 8 per cent (down from 10½ per cent last year) still looks uncomfortably high compared with the current inflation rates in Japan and the U.S. Despite the recent progress against inflation in most countries, meetings of heads of state and Finance Ministers in the past year have continued to emphasise the need for policies which will combat inflationary forces.

The lowest

Even in West Germany, where the current inflation rate of about 3 per cent is the lowest among the larger industrial countries except Japan, the thrust of policy continues to be anti-inflationary.

This concern with inflation seems likely to limit for the time being any desire by European countries to risk a substantial fall in their currencies against the dollar.

For this reason interest rates seem set to remain broadly in line with those prevailing in the U.S. Although some fall in U.S. rates might be possible in the short term, there appear to be three factors pointing to a maintenance of present rates—and perhaps some increase during 1984. They include:

● The continuing prospect of high federal budget deficits of around $200bn a year.

● Suggestions that companies' borrowing needs may revive if the recovery continues its vigour.

● Market fears that economic recovery and perhaps a more relaxed monetary policy in the face of large deficits could lead to some acceleration of the inflation rate.

For all these reasons it seems unlikely that European interest rates will fall substantially. However, a sharp fall in the dollar could alter the picture. Some, but by no means all, commentators believe this will follow the widening U.S. trade deficit.

Meanwhile the U.S. recovery, the country's large trade deficit and the high value of the dollar should help to open the U.S. market to those European companies in a position to take advantage of their improved competitiveness.

European banks are heading for a healthier year for p rofits, believes **David Lascelles**

Climate for profits improves

EUROPE'S LEADING BANKS

	Assets $bn	Capital $m	Pre-tax profits $m	Capital assets ratio %	Number of staff
BNP	109.9	1,476	371	1.34	51,299
Credit Agricole	98.5	4,675	n.a.	4.74	70,790
Credit Lyonnais	96.7	1,218	383	1.25	45,471
Barclays	93.3	4,462	799	4.68	120,000
NatWest	87.9	4,122	709	4.68	88,000
Société Générale	85.7	1,344	234	1.56	46,462
Deutsche Bank	83.3	2,732	555	3.27	45,618
Midland Bank	77.4	2,520	405	3.25	91,400
Dresdner Bank	57.6	1,662	217	2.88	30,949
WestLB	55.7	1,670	79	2.99	7,436
Lloyds Bank	55.6	3,151	510	5.66	70,229
UBS	53.3	2,745	347	5.14	16,988
Paribas	51.5	2,198	344	4.26	n.a.
Swiss Bank Corpn.	48.5	2,530	286	5.21	14,332
ABN	47.3	1,183	203	2.52	28,453
Commerzbank	45.1	1,151	114	2.55	21,393

Source: The Banker Top 500 June 1983.

DESPITE the shocks caused by the crisis at Schroeder Munchmeyer Hengst last month, 1983 is turning out to be a better year for European banks—though that may not be saying much after 1982. A healthier economic climate and generally easier interest rates are helping bank profits, and bad loans are being digested.

Looking ahead, the topical issues in 1984 are likely to centre on regulatory reform and new technology.

In fact it was precisely because bankers were feeling a little more confident that the SMH affair caused such a stir. By exploiting loopholes in the West German bank regulations, the small but prestigious Frankfurt bank vastly overlent to IBH, the struggling German engineering group, and was pulled to the brink of collapse.

Some quick footwork by the Bundesbank and the large German banks averted another Herstatt-style debacle but the consequence is likely to be a tightening of German bank laws. Herr Gerhard Stoltenberg, the finance minister, has now promised to push ahead with a long-delayed law that would force German banks to consolidate their accounts, and prevent them concealing activities channelled through subsidiaries, mainly in Luxembourg.

Resisting

Large German banks already voluntarily disclose the business of unconsolidated subsidiaries, but they are resisting the new law because it will also oblige them to apply Germany's conservative capital gearing ratios to highly leveraged subsidiaries. Although the new law is likely to be phased in, this would force the German banks to raise more capital or restrain growth for a while.

A new law would, however, be welcomed outside Germany where other European bank supervisors are pressing for more consolidation. Earlier this year, Mr Peter Cooke, head of supervision at the Bank of England, said consolidation "ensures that there is centralised oversight of an international bank's overall business so that the risk exposure and capital adequacy can be judged in the context of its operations worldwide."

This summer an international committee of bank supervisors headed by Mr Cooke also tightened up the Basle Concordat which lays out supervisory responsibility for the soundness and liquidity of banks operating internationally, so that none "fall between the cracks." The move was prompted by the 1982 Ambrosiano affair whose repercussions linger on.

International co-ordination of a different kind is being attempted by the EEC Commission in Brussels. By the end of this year, the Commission staff are supposed to produce a draft directive on bank accounting to bring more uniformity to members' widely varying practices.

The most controversial aspect is the question of hidden reserves. It is already known that the directive will allow banks to secrete up to 5 per cent of their reserves, to the satisfaction of countries like Germany where hidden reserves are allowed, and to the anger of those like the UK where they are not — at least for commercial banks (UK merchant banks may keep hidden reserves).

Pressure for less secrecy, however, is mounting in — of all places — Switzerland. The Socialist Party has called for a referendum next year on a motion that would curtail bank secrecy on the grounds that banks are now abusing their power.

Perhaps the most striking example of the banks' improved health was the decision in October by Commerzbank, Germany's third largest bank, to resume dividend payments after a three-year gap. The bank has now absorbed heavy write-downs on loans to problem borrowers like AEG and Poland.

Profits are also up strongly in Switzerland, the UK, the Netherlands, Italy, and many smaller countries. One exception is France where the (government-owned) banks have made specially heavy bad debt provisions and been constrained by the Government's controls on interest rates and credit.

Generally, though, the rate of bad debt provisioning seems to be easing. The German banks are now believed to have written down a good part of their Polish exposure. Large banks throughout Europe have also made provision to varying degrees for trouble with their Latin American loans, though only a few, notably Midland Bank and Lloyds Bank of the UK have a sizeable exposure there.

Most profitable

A new report comparing international bank profitability (by IBCA, the London bank credit rating firm) shows the British banks still the most profitable among the major countries in Europe. Their real rate of return on equity (after deducting inflation) was 7.6 per cent in 1982. The Italians came next with 6.6 per cent, followed by the Dutch with 5.1 per cent and the Swiss with 0.9 per cent. The Germans had a negative real return of 0.5 per cent, the French a negative 4.6 per cent, and the Swedes a negative 4.5 per cent.

A major step towards the integration of the European retail banking industry is due next year when banks in France, Germany, Spain and the UK are to conduct an experiment to link automated cash machines.

Under the auspices of Eurocheque, the association of 15,000 European banks, the scheme will allow tourists from Germany and the UK to use their plastic cards to withdraw cash from machines in France and Spain. If it is a success, Eurocheque hopes to extend it to include some 15,000 machines in more than a dozen countries for the 1985 tourist season.

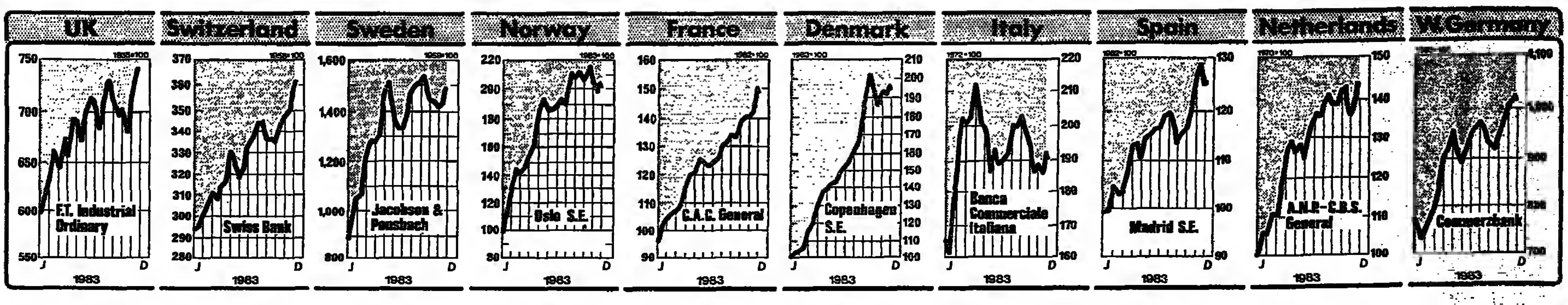
This will effectively lay the groundwork for a new era of cashless travel in Europe, and launch cross-border bank cooperation at the retail level into the electronic age.

The scheme is based on a uniform code that will be set in the magnetic stripe on the standard Eurocheque card and will operate any machine programmed to take it. The traveller need only punch in his secret number (instructions on the machines will be in several languages) and he will be able to withdraw the equivalent of SwFr 300 a day. The transaction will be cleared through the Eurocheque clearing system which already handles billions of international paper-based transactions a year.

In the next year or so, banks *will also have to make* major decisions on domestic payments systems such as electronic funds transfer at the point of sale (EFT/POS). The British banks, for example, are due to announce any day now what systems and technology they are opting for as they set about establishing a pilot project by 1986.

To some extent these moves are defensive. European banks are beginning to feel competitive pressure from organisations like American Express. They are also being increasingly challenged on their home territory by "near-banks" like, in the UK, the building societies, who are not only winning away deposits but also supplying banking services.

At the recent Eurocheque Congress in Lisbon, Dr Eckart van Hooven, of Deutsche Bank, and one of the leading advocates of international co-operation among banks, said European banks would have to develop common policies if they were to hold their own against these growing challenges.



European investors are increasingly willing to brave the unfamiliar and step beyond their domestic stock exchanges says Duncan Campbell-Smith

Americans join the chase for continental equities

ABROAD IS unutterably bloody, as well-educated Englishmen have always known; but more and more investors in the UK as well as the other countries of Western Europe have been prepared over the last year to brave the unfamiliar and step beyond their domestic stock exchanges in the pursuit of attractive continental equities.

With American buyers joining the chase—and enthusiastic enough in several instances to take the lead—it should not be surprising that support from abroad has been a notable feature on all the European stock markets in 1983, a year marked generally by dramatic price rises on the back of hopes for the economic upturn.

Cautionary tale

Another prevalent U.S. influence has been the structure of dollar interest rates, with Wall Street's weekly excitement over the U.S. money supply figures exerting an obvious pull over European share prices, most particularly in West Germany and Switzerland as well as the UK.

Indeed, for these markets the mood on Wall Street has often been as important as developments within the respective domestic economies themselves. Lower dollar rates have periodically raised hopes of a weaker exchange rate for the dollar, lower European interest rates and a more lively recovery in corporate profits.

Against this background, the relative independence of the Scandinavian stock markets has been conspicuous and all three achieved remarkable price gains in the first half of the year. Even after some setbacks through the autumn, they have still topped the European performance ratings.

In Sweden, the devaluation of the kronor in October, 1982 provided an immediate and powerful boost for the country's major industrial corporations, all of whom rely heavily on non-kronor sales and profits.

Significant tax incentive schemes for share ownership undoubtedly helped stimulata the Stockholm market's liquidity, while the fact that so few large Swedish companies pay anything more than a nominal domestic tax bill meant that their shares early this year were trading on relatively low price/earnings multiples, as calculated against actual net income. Both the liquidity and the low multiples attracted keen foreign interest once the profits growth was expected.

The result has been an exciting year for companies like L. M. Ericsson, Alfa Laval and Electrolux. Less happily, the much increased volume of share trading on the market has brought in its wake e series of mini-scandals which have prompted moves for new legislation to tighten up the reporting requirements for Swedish shareholders.

Additional domestic taxes on dealing transactions were also announced last October — to allow shareholders, as the Swedish Finance Minister put it, to "contribute to strengthening the budget end the economy."

Stockholm has seen a heavy calendar of new share issues this year and this has been a feature too of the Norwegian market. Investors on the Oslo bourse have had to have strong nerves over the last few years, with most stock price charts looking like a cross-section of the country's coastline, fjords and all.

Encouragement

The whole Oslo market collapsed about 25 per cent in the autumn of 1982. But a firmer tone was evident before the end of last year, with some buying encouraged as in Sweden by tax incentive schemes.

This year started with several weeks of hectic price rises and for much of the remaining year even the considerable liquidity of the Norwegian banking and money broking system has been stretched to provide for all the rights issues on offer.

These have been in full flood in the last few months; but demand has remained strong. "Broadly speaking the lights are very green for Norway," noted UK brokers Savory Milln in its October review of global investment opportunities; and the firm remains of that view as Norway's natural resources continue to build up a strong trade surplus and local equities pick up an increasingly international following.

For the Danes, a minority conservative government's success in pushing through its anti-inflation strategy has provided a sound economic basis for investing in domestic stocks throughout 1983.

The technical grounds were already ample: oil and gas revenues have made their first real impact on the pool of investment funds this year, but investment on foreign markets has been hampered by legal restraints (many of which are due to disappear in the coming months).

Inward investment flows, on the other hand, have had few such problems. Danish pension funds selling bonds and moving the proceeds into domestic stocks have had to contend in some cases with prices racing away on the strength of some of the most concerted U.S. buying seen anywhere in Europe.

The big attraction has been Denmark's new technology companies, and most particularly its pharmaceutical names like Daehnfeldt and Christian Hansen's Laboratories as well as Novo, the latter probably the best known internationally.

It is its very lack of heavy traditional industry which has been one of Denmark's main selling points abroad; but investors in West Germany have had to weigh up the outlook for an economy still heavily concentrated on capital goods. This appears to have been less of a handicap in the first half of 1982, when hopes of cyclical recovery were strongest. Since the mid-year, however, West German equities have certainly had their problems.

In the motor sector, for example, Daimler Benz and Volkswagen were early leaders in the recovery. This autumn, serious worries have resurfaced about VW's exposure to Latin American economies and its rate of progress in the U.S. Again, the Frankfurt bourse was quick to register a general reaction when the giant Siemens group failed to increase its dividend in November.

In the case of the big three chemical companies — Hoechst, Bayer and BASF—confidence in their recovery has been increasingly undermined by investors' perception that they have fallen far behind international competitors like Akzo and ICI in their modernisation programmes.

ICI, of course, has been one of the major success stories of the London stock market over the last 18 months and it heads most people's list of those European equities which have most benefited from American buying. Not all the names on this list have found international attention an unmixed blessing, though.

Excitement

The share price of Philips Lamp, the Dutch electricals group, has provided a cautionary tale in 1983 of what can happen when international buyers confront unpleasant surprises. The shares doubled in the first half of the year. News of a serious setback for its video product marketing efforts has since sparked heavy selling, fuelled in large part by the disenchantment of overseas investors.

Finally, there are still a few stock markets in Europe which have yet to derive much real benefit of this year's bull market on the world's major exchanges.

If France belongs in this category, it is not so much because French equities have lagged behind—they have in fact risen quite strongly for short periods—as because they are still trading far below the levels which might be expected in view of domestic liquidity, the range of good French companies with strong export earnings and the number of potential foreign buyers with some knowledge of the Paris bourse.

Distrust of the political environment and uncertainty about the future inflationary trends in France have bedevilled the market there. Political worries have also been a dominant influence over the performance of equities in Italy and Spain—though in both these cases a period of serious unrest in banking circles has added another negative factor of some potency.

In Spain, the collapse of the Rumasa empire and the ensuing banking crisis has undermined what was previously regarded as perhaps the private sector's major bastion against the economic programme of Spain's new socialist government.

The crisis in Italy, meanwhile, has had even more widespread consequences, with the collapse of the Banco Ambrosiano group in 1982 focusing attention once again on the more creative abberations of Italian accounting practices.

Investors have been especially slow to risk the uncertainties of the corporate sector against the background of a national economy accumulating debt at a rate which many London-based observers, at least, find positively alarming.

Most of the centrally planned economies are now back in healthy surplus on their hard currency trade. David Buchan reports

Comecon countries cautious over reopening doors to imports

IN A crude sense, the centrally planned economies of Comecon are superb machines for taking blunt measures to adapt to the recent vagaries of international finance and trade. Faced in 1981-82 with the general Western credit squeeze on Comecon that followed the Polish and Romanian debt crises, and unable to increase their exports to the West much because of their relative lack of competitivity in stagnant and protected Western markets, most Comecon countries simply put the shutters down on many imports from the West.

The result is that most Comecon countries are now in healthy surplus on their hard currency trade both with the West and the Third World. The big exception is the Soviet Union, which, however, is reducing its deficit with fewer food imports because of the better 1983 harvest and with the prospect of better energy export revenues partly from increased gas sales and partly from stabilisation in the world oil market.

A partial exception is Hungary, which manages to counterbalance its trade deficit with non-Communist countries with the hard currency which it insists on getting from Comecon partners for the sale of its better quality goods.

Turnaround

This turnaround in Comecon's external finances, already evident in 1982, grew more marked this year. According to Wharton Econometrics, convertible currency imports by the Comecon Seven (the Soviet Union and its six East European allies) fell a further 2.4 per cent and exports rose 3 per cent in the first half of 1983, compared to the same period of last year.

This in turn pushed the Seven's collective trade surplus from $1.2bn in the first half of last year to something approaching $3bn, Wharton estimates. Obviously much of this gain is being consumed in debt servicing. Poland, with an estimated $700m trade surplus in the first six months of this year, has nothing like enough hard currency still to pay even the interest on its massive $24bn debt, particularly since it will soon be negotiating the rescheduling of the Western government portion of that debt.

Romania and Hungary, in that order, also still have debt servicing problems. But the others in Eastern Europe are now resting more comfortably, while the Soviet Union with its massive gold reserves and raw material and energy base remains a very good risk.

Aware of this, and also of the far greater magnitude of their problems in Latin America, western banks are now looking more favourably on selected Comecon countries. Two loans (one of them a World Bank cofinancing) to Hungary and one to Czechoslovakia this year are signs of this.

Clearly, then, there could be an upswing in East-West trade, with most Comecon countries in a position to liberalise the import restrictions they imposed in 1981-82. But there are signs of hesitancy.

COMECON CONVERTIBLE TRADE BALANCE (US$m)

	Jan-June, 1982	Jan-June, 1983
Soviet Union	−867	−444
Poland	796	713
East Germany	289	*1,184
Czechoslovakia	372	499
Hungary	−376	−87
Romania	602	711
Bulgaria	314	293

* Estimate. Source: Wharton Econometrics, 1983.

Events of the past few years gave Eastern planners, as well as Western bankers, a scare. They saw in Poland what could happen when large amounts of Western technology were imported without any assured Western export market on which to earn the money to pay for the imports.

For this reason Comecon countries have tended recently to import more food and intermediate products (such as chemical feedstocks to keep plants going) and rather less equipment and machinery from the West.

This has been done to maintain living standards and industrial output—but at the expense of modernisation of much of Comecon industry. This of course has the unwelcome effect of hurting the long-term competitivity of Comecon manufactured exports on Western markets.

The second factor causing a certain hesitancy in the East about trading with the West is more political. Countries like the Soviet Union, Bulgaria, Czechoslovakia, in whose economies East-West trade is still relatively unimportant, have been able to point to the recent problems of the other countries with greater involvement in Western trade and finance, and argue that the safer course lies in developing Comecon itself.

This argument is given political force by the attempts of the Reagan administration to get the West to tighten its strategic controls on the sale of militarily sensitive technology to the East, Western sanctions against the Soviet Union over Afghanistan and against Poland over martial law, and the doubts raised in the West by the U.S. about the wisdom of relying on Soviet gas too much.

Between 1970 and 1980 the share of trade which Comecon countries did with each other declined steadily from 65 per cent of their total trade to 54 per cent. But in 1981, under the pressure of the Western credit squeeze, it rose slightly to 55 per cent, a sign that the trend of the 1970s may be in reverse.

However, the problems in increasing Comecon integration are numerous. First, there is disagreement about the proper terms of trade. The East Europeans are generally unhappy that the price of Soviet energy they buy is rising much faster than the prices of the machinery, equipment and food which they sell to the Soviet Union.

Then there are arguments about quality and quantities, which surfaced sharply et the recent annual meeting of Comecon prime ministers in East Berlin. The Soviet prime minister, Mr Nikolai Tikhonov, warned his fellow premiers that their countries would have to improve the quality of their deliveries to the Soviet Union.

Speaking for the East Europeans, the Bulgarian premier retorted that Moscow should state as soon as possible exactly the quantities of energy and raw materials it intended to deliver to its partners. The East Europeans are still evidently sore that Soviet oil cutbacks in 1981-82 disrupted their 1981-85 industrial plans.

Specialisation

A third problem lies in industrial specialisation within Comecon, the award, for instance, to Czechoslovakia of a lead role in nuclear power, Hungary in buses, Bulgaria in electronics and so on.

This process is always troublesome, since the specialisation agreements are inevitably as much the result of political bargaining between Comecon member governments as of the relative competitive advantage between Comecon enterprises. It is also becoming more difficult, because it is based on five-year planning which does not permit flexibility for today's rate of technological change.

A fourth obstacle to easy integration lies in the bilateral nature of trade. Despite the veneer of multilateralism provided by the Comecon organisation itself, individual governments still negotiate deliveries bilaterally.

These may roughly balance, at least until the Comecon countries create a currency truly convertible among themselves. The "transferable rouble," as purely a unit of account, does not fill the need for an intra-Comecon means of settlement.

These problems have built up over the years. Indeed since 1971, when the communist party leaders, the highest authorities in the Soviet bloc, last met on Comecon business. Another Comecon summit has been planned for the past two years, but arguments over the agenda and agreed solutions have delayed it.

There is, in fact, little the Comecon leaders can do to unscramble their national plans co-ordinated and set in train until the end of the current five year planning period, December 1985. The latest prognosis is that the summit will take place in early 1984, depending however on the health of the Soviet leader, Mr Yuri Andropov.

One truth Comecon leaders will not be able to dodge is that no country is an island when it comes to economic reform, and that economic management changes in one Comecon country inevitably affect them all. This has always been evident on the political level.

Political changes

Moscow has been careful to check that economic reform in Comecon does not draw unwelcome political changes in its wake, and in fact Soviet leaders now seem much more comfortable that countries like Hungary can insulate adventurous economic reform from real political liberalisation. But it has also grown obvious that Comecon partners with differing degrees of economic decentralisation or market orientation find it increasingly difficult to trade with each other. Enterprises in one orthodox centrally planned country find it harder to do business with enterprises in another Comecon country which has scrapped rigid output targets, and vice versa.

Yet there is a bewildering diversity of reformist trends in Comecon now. At one end of the spectrum is free-market Hungary, which Poland would like to follow if and when it has the means to do so. Bulgaria has moved partially down the road to decentralisation, by making its enterprises stand more on their own feet without ministry diktat or aid.

The cautious Czechs are interested in the Bulgarian model, believing the Hungarian model to be too daring for them. In the middle are the Soviet Union, where Mr Andropov has given some "experimental" autonomy to managers in five selected sectors and locations, and Romania.

At the other end of the range is East Germany, which has actually "reformed" in the opposite direction, tightening up, not loosening, its central planning system. Clearly, a Comecon summit needs to find some broad consensus on economic reform, or the Eastern trading bloc will find itself at sixes and sevens.

The controversial System X public telephone exchange. This Coventry "Spires" exchange was supplied by GEC and was developed jointly by British Telecom and the British telecommunications industry. The system has already cost more than £300m to develop and it has provided a focus for expertise in digital technology

The electronics sector has a long way to go to match its American and Japanese rivals

New emphasis placed on collaboration

WILL THE next decade see Europe's electronics industries forced inexorably into retreat by an aggressive competitive challenge from American and Japanese manufacturers with better organisation and superior resources? Or are they poised on the threshold of a new era of expansion, offering boundless opportunities for all?

The question, which has arisen in varying forms at times during the past 20 years, is an increasingly urgent one. As governments everywhere seek to create new sources of growth to fill the vacuum left by the decline of older manufacturing activities, securing the development of healthy high technology industries is emerging as a high priority.

Not only are these industries likely to have an important impact on the future international competitiveness of European economies; possession of key technologies is also increasingly being regarded as a strategic necessity.

The Reagan Administration's attempt to extend to its allies its embargo on the export of materials needed to build the Soviet gas pipeline has served to underscore in many European capitals the importance of maintaining a degree of technological independence.

The Soviet pipeline incident appears to have been an important element in several recent decisions to step up public support for research and development in Europe. The EEC as a whole has agreed to back Esprit, a $1.5bn programme of industrial collaboration on the frontiers of electronics, while the UK Government is also supporting separately the Alvey project, a £350m national scheme along similar lines.

The size of the funding for these programmes is a reflection both of the scale of the research contemplated and of how far European countries still have to go to match the U.S. and Japan. For in a number of key areas Europe has undoubtedly lagged behind. The following are some examples:

Champions

● Europe is still heavily dependent on outside suppliers for microelectronic technology and products. This year, according to estimates by Motorola, the large U.S. electronics group, indigenous suppliers will account for only about 40 per cent of total European semiconductor sales of $2.9bn. Europe's overall deficit on semiconductor trade will rise to $1.8bn, from $1.6bn last year.

● Despite huge state support for "national champions" such as Britain's ICL, France's Bull and West Germany's Siemens, Europe has failed to breed a really successful and consistently profitable world-class computer manufacturer covering the complete product spectrum.

European revenues of IBM, which amounted to almost $10bn last year, were bigger than those of all its principal local competitors put together. Moreover, in the field of computer peripherals such as terminals, printers and data storage devices—a market which is growing much faster than mainframes—Europe overall remains heavily dependent on imports.

● *European electronics companies have been much less successful than IBM—and many more recent American rivals—at exploiting the benefits of the Common Market.* Many of the bigger indigenous companies still appear to prefer to rely heavily on public procurement in their home markets rather than to venture into neighbouring EEC countries.

Even Philips, the most genuinely multinational of all European electronics manufacturers, has been struggling to overcome a fragmented manufacturing and marketing structure which grew up behind pre-EEC national boundaries formerly protected by high tariff barriers.

Although Philips has acted to reorganise its European operations into fewer and bigger units better adapted to achieve economies of scale, the results have been mixed so far. It is still more successful at making profits out of mature activities such as lighting than in competitive high-technology markets. Even with the benefit of modern manufacturing plants, it has barely dented the market for video cassette recorders against overwhelmingly popular machines of Japanese origin.

● National policies for stimulating technology growth have pointed in widely different *directions*. At one end of the scale Britain has in the past few years adopted an eclectic mix of measures including public support for smaller companies, state funding for high-cost projects such as Inmos, liberalisation of the telecommunications industry and active encouragement of inward foreign investment.

The Mitterrand Government in France, on the other hand, has favoured an overt policy of centralised state intervention intended to promote national independence in most areas of high technology. Since it came to power it has carried out extensive nationalisation and attempted to organise a vertically integrated electronics industry along the lines set out in its *filière electroniqué* strategy.

The costs, however, have proved extremely high—too high for a state budget which has been increasingly under pressure from many sides. In an effort to balance its books the French Government decided several months ago to off-load the financing of the *filière electroniqué* on to its Post Office.

Recently, mounting losses at Thomson, one of the leading electronics manufacturers, have led to a major reorganisation of the French industry. Its Government has also greatly relaxed its preferential procurement practices, which favoured French computer suppliers.

There appear to be several lessons to be drawn from France's recent experience. First, even the larger European countries are too small to support viable policies of national independence in key technology industries. Secondly, latter-day mercantilism, trying to do everything oneself, seems doomed to failure. Thirdly, responding to the dictates of customer demand is a more effective formula than centralised state direction for winning commercial success in electronics.

A number of recent developments suggest that a renewed effort is being made by European manufacturers to apply *these lessons*. A *new* emphasis is being placed on cross-frontier industrial collaboration. The Esprit programme, initiated by a dozen leading European electronics manufacturers, is one example.

Renewed effort

Another is the agreement between ICL, Bull and Siemens to set up a joint centre to undertake research on advanced information technology. Philips and Siemens have also linked up in the field of medical electronics, while France's CIT Alcatel is co-operating with Italy's Olivetti.

Modest as these moves may seem, they contrast with the preference which many European electronics companies have often shown for seeking partners in the U.S. or Japan rather than *closer to home*.

European computer companies and software houses are also pressing, with encouragement from the EEC Commission, to achieve a greater number of common standards, notably in the fast-growing field of computer networking. At present the European telecommunications market is fragmented by differing national standards, while in data processing there are no official standards *to* speak of at all.

Mounting concern among European companies at the growing strength and increasingly aggressive commercial tactics of IBM have added *impetus to their efforts*. They fear that unless truly "open" standards can be created IBM will succeed in imposing its own standard even more widely, making it even harder for other companies to compete in the future.

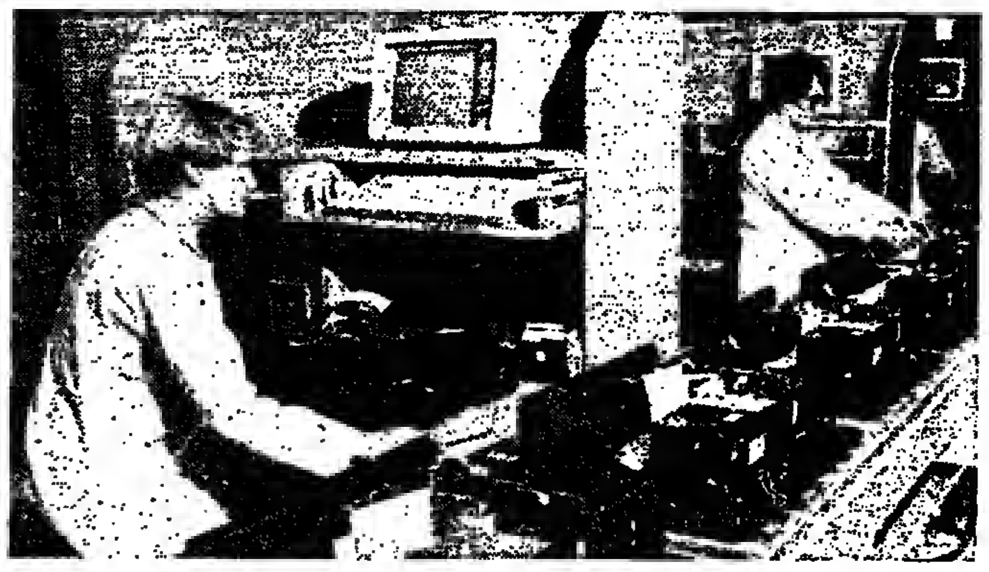
How quickly such standards can be implemented and whether they will extend much beyond Europe remains to be seen, however. The U.S. has traditionally looked askance at institutionalised standard-making, preferring to let the market decide, and it is still uncertain whether any major American manufacturers will follow the European lead.

Under pressure from IBM and from increasingly specialised customer needs many European suppliers are increasingly turning to "niche" marketing strategies. The slogan "we sell solutions, not hardware" is becoming widespread.

But its successful application requires an agility and flexibility which few of Europe's larger established manufacturers have displayed hitherto. U.S. experience suggests that many of the best new product ideas come from youthful entrepreneurial companies—a breed still relatively rare in Europe.

European efforts to step up work on advanced research, stimulate wider industrial collaboration and harmonise standards undoubtedly reflect a growing awareness of the need to change the framework in which technology-based industries operate. But if the efforts are to bear fruit European industry must also demonstrate an appetite for risk, skill at bringing innovative products to the market quickly and an aggressive will *to win*.

Guy de Jonquieres



Test facility for IBM's Personal Computer at Greenock in Scotland. European electronics companies have been much less successful than IBM and many more *recent American rivals in exploiting the benefits of the Common Market*

Telecommunications is becoming one of the continent's fastest growing industries

Changes needed to make most of opportunities

TELECOMMUNICATIONS, fuelled by rapid advances in electronic technology which are opening new horizons of consumer choice, promises to be one of Europe's fastest-growing sectors during the rest of this century. But making the most of the opportunities is likely to require major institutional and industrial adjustments.

Most European governments see the development of a modern and efficient national telecommunications industry as an essential element in the growth of their economies as a strategic resource underpinning international competitiveness in the field of advanced technologies.

In Britain, for instance, one of the official justifications for the controversial System X public telephone exchange programme, which has already cost more than £300m to develop is that it has provided a focus for expertise in digital technology, which might otherwise have been dispersed elsewhere.

As the technologies of computers and communications converge, such expertise is increasingly needed to press ahead with innovations in fields such as office information systems, factory automation, electronic banking and cable television.

The institutional and economic framework in which European telecommunications operates has, however, evolved much less rapidly than the technology. Markets are still highly fragmented and compartmentalised along national lines.

In most countries, the basic network and the provision of services on it remain firmly in the grip of state monopolies (PTTs), which have traditionally shaped the industry's development. The authorities also have extensive control over the approval and—in many instances—the supply of subscriber equipment and terminals.

Technical standards, operating procedures and policies vary widely between different European countries. Moreover, mutually reinforcing alliances between the PTTs and favoured local manufacturers have kept national markets largely closed to outsiders and restricted equipment trade within Europe to a trickle.

There have recently been some signs of change, however. Late last month, France and West Germany agreed to set up jointly a new mobile telephone system as a first step towards opening markets in the two countries on a reciprocal basis. France will also buy about 200,000 telephones from German suppliers.

The most radical development in the past two years has undoubtedly been the UK Government's decision to liberalise the supply of subscriber equipment and services; and to licence Mercury, a privately-financed consortium, to operate a communications network in competition with British Telecom (BT).

These moves were justified by the Government partly on the grounds that BT's vice-like hold was frustrating commercial innovation. The results to date have been mixed: no contenders have yet emerged to challenge *seriously BT's domination* of most of its major markets. But the threat of competition has produced big changes in BT itself, which has responded with a far-reaching management shake-up and by launching a torrent of new products and services.

Most other European countries have observed the British experiment with a mixture of scepticism and bewilderment. Though a number of PTTs have relaxed the rules over the supply of subscriber equipment to permit more competition between local manufacturers, most continue to defend stoutly their monopolies over the provision of services and basic circuit capacity.

In their view, the provision of the national telecommunications infrastructure is a "natural" monopoly which *must remain intact if* their substantial investments in modern digital switching and transmission systems, along with new services such as videotex, teletex and packet switching are to be economically justified.

Vigorous

But reconciling the PTT's, policies with the goal of fostering vigorous national high technology industries is becoming more difficult. Increasingly, PTTs are trying to secure best value for money by seeking more than one supplier of major network equipment. In West Germany, for example, the Post Office plans to split its orders for digital exchanges between Siemens, its principal traditional supplier, and Standard Elektrik Lorenz, the German subsidiary of ITT.

One problem, however, is that the investment needed to develop new exchange families has become so huge that it is no longer possible for most European countries to sustain two competing indigenous systems. That was a major factor in the recent merger of the telecommunications businesses of CIT Alcatel and Thomson in France and in the decision by Switzerland to halt plans to develop its own digital exchanges.

Philips of the Netherlands, whose home market is small by world standards, has reached a similar conclusion. It has abandoned work on its PRX digital exchange—reportedly after spending several hundred million dollars on its development—and has formed a joint venture with American Telephone and Telegraph to market AT&T's No. 5 ESS system internationally.

The achievement of optimum economies of scale, which could make it easier to recoup development costs, is frustrated by national self-interest and the perpetuation of widely differing technical standards, even for new services which are still in the planning stage.

It seems certain, for instance, that at least three incompatible cellular mobile radio systems will be in commercial service in Europe by the end of the 1980s. That will not only make it hard for drivers to use the systems across national frontiers but will also keep the price of terminals high by fragmenting demand.

The European Commission has recently launched a campaign to try to persuade EEC governments to create a more common market in telecommunications. It has warned that failure to do so will both slow modernisation of the telecommunications infrastructure and weaken the European industry in the face of growing competition from American and Japanese manufacturers.

The Commission has set out a list *of broad goals*. They include closer co-ordination of national medium- and long-term policies, greater harmonisation of standards, and the adoption of a common EEC posture on external trade. Arguably its *most significant* proposal of all, and the one likely to have the biggest short-term impact, is that a proportion of public telecommunications procurement in each country should be opened to bidders in other parts of the EEC.

The Commission has been reluctant in the past to tackle the telecommunications market for fear of losing out in a battle of political wills with the PTTs but its recent *proposals* appear to have found an echo in national governments. The EEC Council of Ministers has agreed, as a first step, to set up a Cabinet-level working party to discuss a more detailed pro*gramme*.

It remains to be seen how soon the talks will produce concrete action. Even with the necessary political support from EEC governments, the opening up of the Community's telecommunications markets will require delicate handling if the European industry is to gain the maximum commercial benefits from it.

Competition from outsiders to enter Europe's telecommunications markets is growing noticeably stronger. In addition to AT & T's link-up with Philips, Canada's Northern Telecom plans to set up development and manufacturing facilities in the UK, and International Business Machines is seeking to expand in telecommunications worldwide. ITT has, of course, long had extensive telecommunications operations in Europe and has recently won a number of key public switching orders.

Regroupings

Many experts believe that a regrouping of Europe's industry will be inevitable if it is to compete effectively on an international basis, and that more strategic alliances and intra-European joint ventures will be needed.

France's CIT Alcatel has publicly declared its interest in partnerships with other EEC manufacturers, and its parent, Compagnie Generale d'Electricite, recently acquired a 10 per cent interest in Olivetti, Italy's main office equipment and computer manufacturer.

The pace of behind-the-scenes discussions throughout the industry appears to be quickening, as manufacturers everywhere seek to broaden their product ranges, technological resources and market access.

Success in the future will depend heavily on overcoming the industry's long history of rivalry, nationalism and mutual *mistrust*.

G. de J.

The dramatic changes in production plants have proved costly to many companies, says **Kenneth Gooding**

Vehicle industry strives to move out of the red

THE EUROPEAN motor industry currently has two faces. The one the world at large tends to see gives the impression of dynamism. But the other wears a worried frown, just like the man who wonders how he will find the cash necessary to pay the bills he knows must soon arrive.

The industry in the past few years has forced through dramatic changes at its production plants. Old methods have been unceremoniously booted out to be replaced by the latest automation and robotics.

A stream of new car models has gushed from the European manufacturers. Designed by computers, they incorporate high technology and features which would not even have gone into luxury cars a decade ago.

The industry has also listened to the environmentalists. The new cars in particular are much more efficient in the use of fuel, usually saving at least 10 per cent compared with the models they replaced.

Yet, in spite of giving "much more car per car," prices in Europe have not kept pace with inflation. Which brings us to the other face of the industry. All that spending during the recession kept most of the European manufacturers in the red.

Now world demand is picking up (heavily influenced by the big jump in sales in the U.S.) but so far there is no sign that the European industry as a while will return to profitability.

Worrying trend

Prof Krish Bhaskar, professor of accountancy and finance at the University of East Anglia, pointed to this worrying trend recently when he said: "The U.S. manufacturers lost money in 1981 and 1982 but recovered by 1983 (they are now extremely profitable once again). The European industry has been making losses and there are no signs of total recovery."

Prof Bhaskar and his team analysed the new model programmes European manufacturers have indicated are on the way and estimated that between them the car companies will spend £21bn during the 1984-1989 period on new products.

A further £12bn is required for routine replacement of plant and equipment. The introduction of further automation and robotics will cost upwards of £24bn.

So, Prof Bhaskar reckons, the European industry will have to spend £7bn to £9bn annually during periods of high demand for cars and £6bn and £8bn in the troughs.

But he insists that the industry will not be able to find that kind of money from its own resources. There will be a cash shortfall of up to £2bn in each of the good years and of between £2bn and £4bn in the bad ones.

There has been a combination of circumstances which prevented the European industry returning to profitability and finding the cash it requires for investment.

To start with, demand in Europe is not expanding as was expected even five years ago. Car sales are now expected to increase by an annual 1.5 to 2 per cent a year instead of the 2 to 3 per cent the industry once banked on.

Then the Japanese, with their extremely efficient methods of car production, are leading the way on the price front. Although there are restrictions on Japanese cars in most of the major European markets, there are still enough of them available to have a profound influence on prices generally.

And to some extent the Europeans have become victims of their own success in boosting productivity. This has exacerbated the industry's overcapacity problem.

While the move to greater automation and the march of the robots into the car plants of Europe has cut labour and other variable costs, increased spending on capital equipment has raised the industry's fixed costs—which were already very high.

That means the break-even production level at the plants has actually moved up. More metal must be moved out to the dealers than ever before if a factory is to make a profit.

This means that a comparatively small increase in sales volume can be extremely valuable to the manufacturer concerned and there is considerable temptation for him to offer all kinds of incentives to achieve those few extra registrations.

Therefore some industry executives predict that there is extreme danger of a bloody car price war spreading across Europe.

What makes such a battle a near-certainty is the feud which has developed between the two U.S.-based multinationals, General Motors, the world's biggest automotive group, and Ford, the third largest.

GM is determined to match Ford's sales performance outside North America. So, Europe has become one of the major areas of conflict between the two, particularly now that GM has brought on stream its new capacity in Spain and has entered the small car business in Europe for the first time.

Britain has provided an example of what might develop in the rest of Europe as the two Americans struggle for supremacy. GM pushed up its market share in the UK by more than two percentage points so far this year.

Ford brought all its marketing power to bear to ensure that it did not lose its dominating 30 per cent. So far it has been the European companies—BL, Renault, Fiat and Volkswagen—who have borne the brunt of GM's determined thrust.

Until now, the only European country to cut car-making capacity has been Britain. BL was forced to shut plants as part of its massive streamlining programme. In other parts of the EEC, government's so far have encouraged their motor industries to retain existing capacity even if it is being under-used.

Meanwhile, Spain has been making a concerted effort to strengthen and expand its position in the motor business. So has—less successfully so far—Portugal.

Some observers feel that ultimately, in order to protect the 2m jobs provided by the motor industry, governments will be forced to take a joint EEC approach, like those for steel or shipbuilding, and there will be an attempt to have an orderly reduction in capacity.

There is absolutely no sign of any overt steps in that direction so far. Instead, the EEC seems intent on doing more damage to the industry—or that is the way the car manufacturers see it.

The EEC Commission is determined to enforce a rule which would restrict price differentials throughout the community.

The idea is that there should be no more than a 12 per cent difference in the highest or lowest tax-free price charged for any model by the same manufacturer within the EEC.

Mr Ed Blanch, chairman of Ford of Europe, summed up the industry's view when he complained: "The EEC Commission is acting as if the motor industry is operating in one market with the same rates of pay, hours, tax, economic growth and—above all—currency.

No uniformity

"But currency changes can alter the cost of operating in a country by 15 per cent overnight. How can you have price uniformity in those circumstances? There are no Community prices for milk or meat or steel—yet they are saying there should be one for cars.

"The industry cannot remain profitable if its prices are linked to those in countries where, for example, prices are frozen. And if the profit is not there, then the EEC should understand that the industry will not be able to support its long-term investment programme. Then the profit problem will become a jobs problem."

The European manufacturers insist they could not save cash by cutting back their development programmes because the Japanese have actually increased the pace at which they are developing and launching new car models.

Professor Bhaskar, in his paper presented to a recent conference organised by DRI Europe, suggested that in order to prevent the Japanese from further infiltrating the European market, European Governments will either have to make good the shortfall in capital expenditure by their own industry or protect the markets by trade restrictions.

The latter policy, however, "has been demonstrated as ineffective by Nissan's investment in Alfa Romeo, Motor Iberica and the potential plant in the UK. This effectively circumvents European trade restrictions but still puts pressure on the remaining European companies."

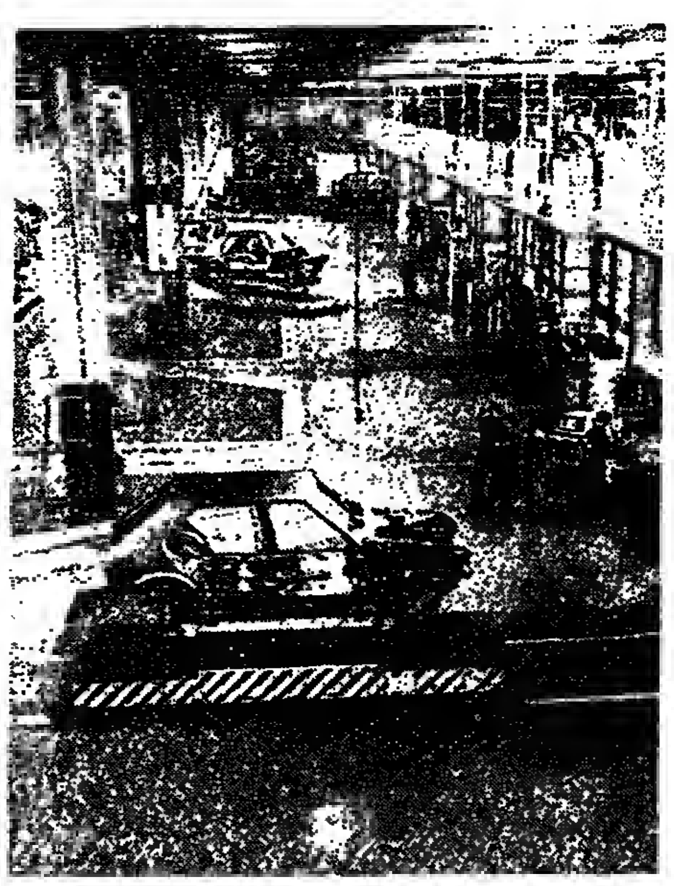
Professor Bhaskar summed up by saying: "Whether or not the Japanese are excluded from Europe they are still in a position to cause continuing problems to the European motor industry. The principal question for the European industry is not one of profitability but whether it can fund its future capital expenditure requirements."

EUROPEAN MOTOR INDUSTRY
NET PROFITS in £m (unless otherwise stated)

	1977	1978	1979	1980	1981	1982
Peugeot	226	526	1,800	−150	−184	−336
Renault	31†	19†	133†	140	−55	−112
Ford UK	116	144	347	204	165	192
Ford Werke	148	143	124	11	32	76
Ford Europe*	1,045	1,271	1,219	323	289	451
Vauxhall	−2	2	−31	−183	−57	−39
Opel	84	128	65	−97	−130	22
GM Europe*	277	376	338	−559	−427	6
BL	−32	−28	−145	−536	−497	−293
VAG	103	149	172	76	30	−71
Daimler Benz	145	154	164	261	181	217
BMW	31	39	45	35	32	47
MAN	—	17	18	13	12	7
Alfa-Romeo	−98	−77	−52	−38	−51	−39
Fiat	41	46	22	26	39	58
Seat	n/a	n/a	n/a	−106.6	−104.7	−122.3
Motor Iberica	5.8	6.6	4.2	−2.3	−12.4	−17.2
Volvo	25	36	46	4	45	45
Saab	23	23	26	36	39	43

* U.S.$m. † Unconsolidated. n/a Not available.

Source: Company accounts and University of East Anglia, finance and accountancy department.



Robots provide automatic computerised welding at the Fiat Rivalta works, near Turin. The move to greater automation in European car plants has cut costs but increased spending on capital equipment has raised the industry's fixed costs

Ian Rodger looks at the dismal record of mergers among heavy manufacturing industries

Sticky times for heavy plant

THE RECORD of trans-frontier co-operation in Europe in the heavy manufacturing industries is largely one of failure and misadventure. It is far easier to list the alliances that have come unstuck in the last few years—Dunlop-Pirelli, Hoesch-Hoogovens, VFW-Fokker—than to think of some that have worked.

The record, however, does not seem to deter companies from continuing to attempt to put deals together. In the past few weeks, for example, there has been considerable activity among Dutch, Belgian and Luxembourg steel companies as they try to find ways to share the pain of reducing capacity.

Other large proposed or agreed ventures this year include the attempt by Rolls-Royce of Britain and Creusot Loire of France to make gas turbine power generating sets together and the project by Iveco of Italy and Eaton of the U.S. to develop a new commercial vehicle gear box.

The golden age of trans-national deals in Europe occurred in the late 1960s when the Dunlop-Pirelli, VFW-Fokker, Agfa-Gavaert and Hoesch-Hoogovens arrangements were put together. The thinking at the time was that the European economies would become more integrated and so trans-national companies would be well placed to cover the entire area and cope with the expected great expansion of demand.

As things turned out, neither of these trends materialised. In fact, the opposite occurred. Governments in Europe became more protectionist and most markets have contracted since the mid-1970s.

Both elements were involved in the collapse of the Vereinigte Flugtechnische Werke-Fokker union in 1977, nine years after its formation. The companies had been working on a joint project to develop a small airliner, but the outlook for commercial aircraft demand in the late 1970s was discouraging, and the two disagreed on how to proceed.

At the same time, the West German Government was eager to bring about a merger between VFW and Messerschmidt-Boelkow-Blohm to create a strong German rival to British Aerospace and Aerospatiale of France.

It was a source of frustration to the joint management of VFW-Fokker in Dusseldorf that the West German Government tended to deal directly with VFW in Bremen while the Dutch Government dealt with Fokker in The Hague.

Mr Frans Swarttouw, chairman of Fokker, said the two companies were not well matched anyway, as VFW was basically a military aircraft maker and Fokker was in the commercial side. However, if things had gone well, this difference probably would have been called complementarity and cited as a strength.

Fell apart

The 10-year Hoogovens-Hoesch alliance fell apart in remarkably similar circumstances. On the one hand, demand for steel fell sharply and the two companies had difficulties in sharing the costs of restructuring. On the other, the West German Government made it clear that it wanted Hoesch to merge with Krupp Stahl as part of national approach to the steel crisis.

In the event, the Hoesch-Krupp merger never happened, and subsequently there was another proposal to put Hoesch together with Kloeckner Werke and Salzgitter but that did not work either.

In both the steel and aerospace areas, there have been examples of successful co-operation among European companies in recent years, but those involved have stered clear of taking equity stakes in each other. The most outstanding example is the Airbus consortium in which French, West German, Spanish and British aircraft manufacturers participate. British, West German and Italian builders have co-operated on the Tornado fighter programme.

In steel, co-operation has been on a more modest scale, involving exchanges of quotas

CONTINUED ON PAGE X

David Fishlock, Science Editor, looks at the developments and new companies in the field

New paths to follow in biotechnolgy

BIOTECHNOLOGY, like information technology and telecommunications, is high technology. It is true that every new car, every new widget for the home—even luggage—is claimed to be "high technology" nowadays but mostly the claims are untrue.

High technology has a very specific meaning. It implies that its practitioners are working somewhere near the limits of knowledge, for example, of the characteristics of the materials they are using. It also implies highly exacting standards of quality control and quality assurance in manufacture of an order unknown in industry generally. High technology, in short, means the aerospace, nuclear, microminiature electronics, pharmaceutical and—most recently—the biotechnology industries.

All these high technologies are multi-disciplinary activities, requiring a very wide diversity of scientific and technical skills for success. The absence of a single critical skill can doom a venture. Tate & Lyle discovered this when it neglected to pay enough attention to sterility in a new biotechnology plant. Separating the desired substance from the "soup" of biological debris that pours from the fermenter can prove a greater intellectual challenge than genetic engineering.

A Du Pont research director forecast in London last year that what he called "cloners"—the genetic engineers themselves—would be in surplus by 1987, at the rate they were being trained by universities worldwide but he forecast a deficiency of bio-engineers. A bio-engineer might be described as someone trained in the basic disciplines of engineering—including physics and chemistry—with the additional experience of living organisms.

Living organisms behave differently from engineering materials, more like people than machines. Briefly, these are some of the essential technical skills needed to put living organisms to work and capitalise on biotechnology. They all represent both investment opportunities for established companies willing to commit resources to new technologies, and opportunities for highly specialised start-up ventures to capitalise on a particular idea or skill.

FERMENTATION: The basic process, in which the organism—natural or genetically engineered—is bred in a fermenter or bio-reactor. An ICI scientist summed up his company's attempts to develop a new biotechnology route to an animal feedstuff in these words: "From my experience the single-cell protein processes that have been developed have stretched the imagination and innovative skills of all those involved in this development to a degree that the conventional chemical industry has not experienced before." Advanced ideas in instrumentation are needed to adapt bio-reactors to the new demands of biotechnology.

STERILE ENGINEERING: Process plant for biotechnology needs to be designed with a care for the risks of infection—which can ruin the product—that no other industry experiences. John Brown is a company which has invested heavily in this aspect of biotechnology.

SEPARATION AND PURIFICATION: New technologies, developed for use by scientists on the laboratory bench, are having to be scaled up to industrial operations to solve the difficult problems of separating the substance required from thousands of others in the "soup" that comes from the bio-reactor. Pharmacie is one European company which is strong here, but some of the start-up ventures—Celltech is one—have special skills they are developing, for example to purify interferon.

SENSORS: A whole new instrument technology is developing around the idiosyncrasies of living organisms. Bio-sensors are needed to measure factors never measured industrially before, under conditions—such as sterility—novel to engineers.

SAFETY: Just as another high technology, the nuclear industry, had had to develop health physics as a profession to protect its own work-force, so the special features of biotechnology require the vigilance of specially trained safety staff and new practices.

Many new names in the sector

SINCE THE late 1970s a host of new companies have been started with names like Biogen, Transgene, Celltech and Genzyme. Today they number about 200 and are still springing up. Most are American but perhaps 30 to 40 are in Europe, mostly in Britain, and they are still being set up.

As their names may suggest, these new ventures have in common an interest in the science of genetics, and specifically in the remarkable discoveries of the mid-1970s which allow changes to be made in the genetic make-up of relatively simple living organisms such as bacteria, viruses and plant cells. These new techniques and tools of biology are popularly known as "genetic engineering."

Man has been harnessing micro-organisms such as bacteria to do his bidding for thousands of years, to make beer, wine, cheese, and bread—all major biotechnology industries today. In the 1940s a new wave of industrial interest in biotechnology began with the exploitation of penicillin and other antibiotics.

Many pharmaceutical companies became expert at breeding and cossetting living organisms and extracting valuable new drugs. In Europe such names as Glaxo and Beecham are associated with the new biotechnology of antibiotics, and Wellcome and Merieux with vaccines. According to one recent estimate, about 100 products of biotechnology are at present being made in about 125 different countries.

Third wave

The third and latest wave of interest in biotechnology began in the mid-1970s when American scientists showed how to cut and repair DNA—the genetic template—in a micro-organism, and re-instruct it to make some particular chemical. Instead of painstakingly researching nature to try to find a bug which would do his bidding, the scientist could tailor any convenient bug by genetic engineering.

Interferon is an example. Traces of this chemical are made by living cells but so scarce and so impure was the material that scientists found it impossible to test interferon properly for its therapeutic promise. In 1977 it was reckoned to be worth £1m a gram.

Then Professor Charles Weissmann in Zurich began an attempt to clone interferon by genetic engineering. Biogen, one of the new biotechnology companies, joined forces to widen the range of skills available to meet a formidable scientific challenge.

By late 1982, Dr Walter Gilbert, Biogen's chief executive, was able to announce that, so successful had the quest been, the company was able to provide pure interferon free for clinical trials. Thus the genetic engineers fulfilled their promise to make interferons available cheaply. Unfortunately, the doctors have not yet been able to show that they are useful drugs.

Far from existing for altruistic reasons, the new companies have been set up to capitalise on a very fast-moving science. They are partnerships between scientists working right at the frontiers of molecular biology and financial sources which recognise that the cash needed to carry successful cloning of organisms in the laboratory through the many steps to the market-place is going to be very great.

The U.S. Newsletter *Genetic Technology News* estimates that U.S. biotechnology companies spent $200m on genetic engineering research in 1982 and will spend $230m to $24[illegible] this year.

Many of these are very small businesses, just a handful of people. The governments of Britian, France and West Germany have been discussing ideas for joint projects to help strengthen Europe's scientific base.

The bio-ventures, however, also include a few larger teams of scores, even hundreds, such as Biogen. They are competing not only against one another, to exploit the latest discoveries, techniques and tools from universities, but also against the big established biotechnology companies, particularly of the pharmaceutical industry.

France, for example, is looking to the recently nationalised chemical groups such as Elf Aquitaine and Rhone Poulenc to spearhead the exploitation of a major government investment in biotechnology.

Novo in Denmark is already a success story of a company which specialised in biotechnology and gradually broadened its frontiers to grow into a multinational group.

A trans-frontier approach is badly needed, says Carla Rapoport

Chemical companies fail to find a common solution

OVER THE last few years, the European chemical industry has been able to agree on very little except the seriousness of its problems and the venue for its next conference to discuss them.

At those conferences, either from the podium or in the botel'a bar, executives chew over the industry's inability—or unwillingness—to find e European-wide solution to its problems.

The industry's failure to date on this score again underlines the buge national barriers to industrial co-operation in Europe. Most major Europeao chemical companies bave beeo losing money on their commodity petrochemical operations since 1980; those which are now making money are doing so only just. A major European scheme for rationalisation of surplus capacity would benefit most of the players, paving the way for higher prices and improved margins.

Mr Robert Horton, managing director of BP Chemicals, apelled out the problem graphically at a recent conference in Monte Carlo: "The alternatives are either to work together to negotiate a long unpleasant run through the rapids . . . or to do nothing, knowing that few will survive."

In simplest terms, the industry's problem is this: projected demand for ethylene, the basic petrochemical used to make commodity plastics, will be around 11.5m tonnes per year in the second half of tbe decade.

Capacity for producing ethylene, if left unchanged, will be over 15m tonnes per year during the same period. As a result, most observers say at least 1.6m tonnes of capacity needs to be closed before the industry can return to reasonable levels of profitability.

So far, however, the companies have been unable to knit together any sort of trans-frontier plan which takes into eccount France's reluctance to put more people out of work, for example, and Britain's interest in wringing more productivity out of its large industrial companies.

Further, many companies have already made painful cuts in capacity and are reluctant to participate in programmes which makes this process any easier for its competitors. Lurking behind these problems is the fact that pricing discipline in the chemical industry collapsed nearly three years ago; cut-throat competition for volume is hardly a background conducive to pan-European agreements.

Even so, some efforts heve been made toward seeking European solutions to the problem. Most importantly, perhaps, the leaders of the industry all know each other and keep in regular touch with one another. This often leads to little more than dialogue, but most executives agree that even just dialogue has merit considering the beavy difficulties the industry has been experiencing.

Possibility

By now, bowever, most discussions on working together rule out the possibility of direct intervention by the EEC. A small but determined group of industry executives, including those in Belgium and Italy, bave favoured sucb an approach. So far, bowever, even attempts to bave industry-wide talks in Brussels have languisbed from leck of enthusiasm.

A meeting beld last May by Viscount Davignon, EEC Commissioner for Industry, to discuss proposals for restructuring the industry did not even attract a full complement of representatives from Europe's major chemical companies. Prominent ebsentees included Imperial Chemical Industries of the UK and BASF of West Germany.

The restructuring proposala were contained in a summary of an extensive survey made of the industry by two industry iusiders, Jacques Grenier and F. Gatti. The report bas not been made public but it is known to make three major recommendations:

- Further cutbacks in capacity amounting to around e 25 per cent cut in ethylene capacity and a similar reduction in commodity plastics cepecity. (Some of these reductions have been achieved since the report was completed last spring.)
- The establishment of a clear definition of the meaning of putting a plant on standby, as opposed to irrevocably shutting it down. Some companies have accused others of claiming to have shut down capacity wben, in fact, the plants bave been only temporarily shut down pending improvements in the marketplace.
- A system under whicb some companies could abandon certain product lines and receive compensetion from a pool of money to which the other companies would contribute. This proposal is designed to give an extra push to companies considering the abandonment of loss-making products but wbo bave so far been unable to reach a decision to do so.

While these proposals are still being officially considered by most of the major European cbemical companies, it is almost assumed tbat they will never be agreed upon because of strong disagreement with the last proposal by Britain and West Germany. A further barrier to any agreement is the lack of eny clear way to equitably carry out the cut-backs suggested in the first proposal.

Another strong reason for the failure of the proposals is the hint of e recovery being sniffed by cbemical companies across Europe. The large petrochemical and plastics division of ICI broke even for the first time in three years in the third-quarter of 1983. Losses at other companies have been reduced, while the large West German chemical groups are reporting modest improvements this year.

To many observers of the industry, however, this recovery could provide more damage than good to many companies in the sector. With many plants now running at between 85 and 90 per cent of effective capacity (compared to as low as 50 and 60 per cent during 1981 and 1982), a lot of companies ere beginning to bunger for larger market sbares, aiming to starve out weaker competitors.

Prices are moving up, but competition remains fierce in most product lines.

This continued push for merket sbare, bowever, may not result in a weeding out of the European chemical industry, but rather in a generally weakened sector.

"Having suffered this long, most will hang on past grim death," says one chemical chief. "Tbe exit costs for the big companies are exorbitant and large bankruptcies are embarrassing for governments. Most of the players are of a large enough size to want to keep on breathing, even if it is only just breathing."

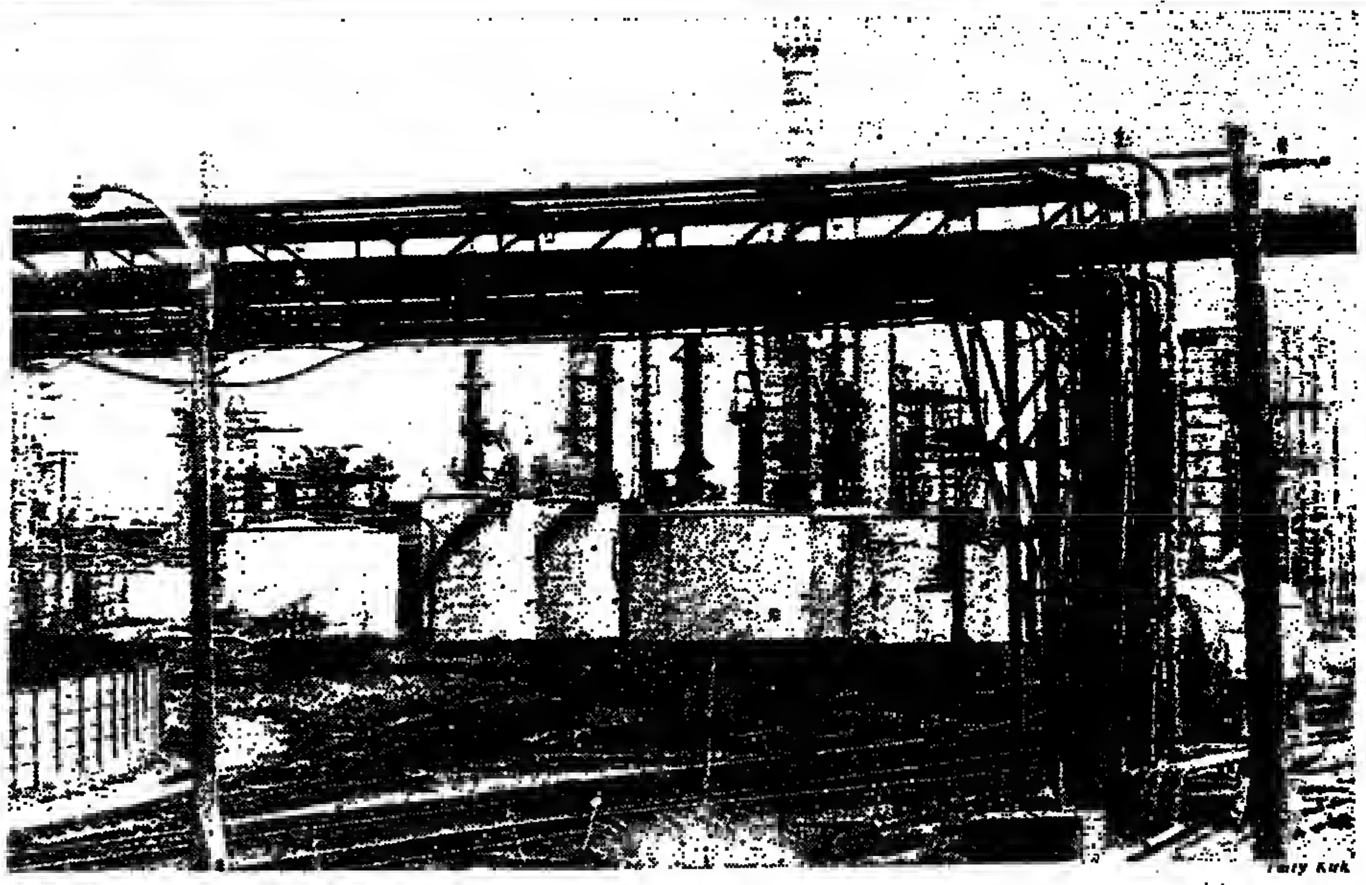
According to Mr Michael Hyde, the respected editor of Chemical Insight, the International chemicals newsletter: "The European petrocbemical industry seems determined to prove Adam Smith's dictum about perfect competition under which profits disappear and only the wages of management are paid."

Oddly enough, the industry bas been accused of illegally colluding on the price of a major thermoplastic, polypropylene. Inspectors from Brussels descended on tha major European chemical producers earlier this autumn demanding to see files on pricing of polypropylene. The investigation continues, while the industry protests its innocence. Guilty or not, the price of raffia grade polypropylene is still no higher today then it was in September, 1981.

The challenges ahead of Europe's chemical industry remain awesome ones. Saudi Arabia's petrochemical industry, now under construction, will be onstream in 1985, using the country's own available feedstocks. Saudi Arabia alone, not counting other new producers, such as Canada, is expected to help depress Europe's exports of chemicals from around 900,000 tonnes a year to zero by the end of the decade.

Pointing to sluggish growth ahead for the industry's products and a persistent decline in real margins, Mr David Clair, president of Essochem Europe, recently told a gathering of his counterparts: "Prosperity may be just around the corner for the leaders, but not for as many competitors as are expecting it."

Whether accomplished together or singly, the work ahead of Europe's chemical industry remains as one of the most daunting prospects among the European Community's industrial sectors.



ICI's main UK petro-chemicals plant at Wilton, Teesside. The group's large petro-chemicals and plastics division broke even for the first time in three years in the third quarter of this year

Financial services sector struggles for freer market

THE RECENT appeal by a West German insurance broker, Herr Franz Schleicher, to the European Commission after losing a German court case has highlighted the failure of the European Community to develop the free market in financial services that has always been the aim.

Herr Schleicher's crime was to sell British insurance policies to commercial customers in Germany. This was in conformity with an EEC insurance directive dating from 1978, but in both a lower and an upper court it was judged to be against West German law.

Accordingly, the Commission is taking steps to find out why the Germans have been dragging their feet in adjusting their national laws to comply with the directive. In due course the German Government could be required to defend its position in the European Court of Justice.

It will not be fighting a lonely battle, because at various times France, Denmark and the Republic of Ireland are likely to be accused of similar unacceptable protectionism, which is preventing the development of a Community-wide insurance market.

The simple desire to protect domestic markets against foreign competition—in this case the powerful British insurance industry would threaten important parts of the German market—is an important factor.

Resistant

What makes the financial services sector especially resistant to internationalisation, however, is that governments normally have entirely valid reasons for imposing strict regulatory constraints on the financial sector. Unbridled competition is not compatible with the secure provision of services like banking or insurance.

Controls drawn up on purely national bases however are at best unlikely to harmonise with those of other countries. At worst, they may be deliberately contrived to be protectionist in their effect.

At a corporate level, nationalistic feelings have also been aroused recently in the insurance industry by the takeover bid launched by Germany's Allianz Versicherung for Eagle Star, the British major insurance group.

Allianz first bought a stake of some 28 per cent in Eagle Star in 1981, since when it has been frustrated by the British company's refusal to enter into German-style co-operative trading agreements.

When it launched its bid for control there were suggestions that the British Government should challenge the takeover under the Monopolies and Mergers legislation. It was argued that the Germans themselves would never permit a foreign takeover of a large German insurance company. But the Germans pointed out that a considerable number of foreign-owned insurance companies operate in Germany. In the event the British Government declined to intervene.

The development of multinational companies is one way in which common standards of financial services are being encouraged throughout the Community.

Two levels of provision of financial services are available in Europe. At the international level, large corporate and institutional clients are demanding services which can be provided in a number of centres. At the present time, the bulk of activity is concentrated in purely domestic operations which remain determined by local laws and traditions.

Accountancy provides good examples of these different strata. The big international firms like Ernst and Whinney or Peat Marwick Mitchell run continental practices which nowadays can be quite extensive. National firms have banded together to form cross-border alliances to allow them to service multinational clients—the biggest of these groupings being Klynfeld Main Goerdeler.

It has, however, only been in Southern Europe, notably Italy and Spain, that the international firms have been able to penetrate the domestic markets to any great extent. In these countries, the local accountancy profession is not very highly developed, so that large companies need to turn to the international eccounting firms if their accounts are to gain credibility on the international capital markets.

In France and Germany, however, the auditing profession is highly developed, and strongly protected by the national legal framework. There is a determination to maintain national traditions — which include, for instance, much more narrowly defined auditing specialists than the broadly spread accountancy firms which have grown up in the Anglo-American tradition.

More powerful

The comprehensive British firms are certainly much more powerful than most of their Continental rivals — and are therefore viewed with some apprehension. The clash came to the surface several years ago when there was an attempt to insist that auditors should not provide other services, such as tax advice, to their audit clients on the grounds that it could not be done independently.

Such a condition would have struck at the heart of the commercial rationale of the big British firms, and it was successfully resisted. It was a sign of the fundamental differences of approach which persist within the Community.

Differences of style amongst Community accountants surfaced again last October at the Strasbourg congress of the Union des Experts Comptables. The British accountancy bodies put forward proposals to review the organisation of the European profession, the eventual result of which could be a merger of the UEC with the Groupe d'Etudes, a body which at present concentrates upon EEC directives.

A number of the company law directives are closely concerned with accounting, notably the Fourth Directive on financial statements (incorporated into national law in the UK but not yet in all Community member countries) and the Seventh Directive on the consolidation of accounts.

Such directives typically run into difficulty because of the fundamental differences in British and German accounting principles. The Fourth, for instance, produced a clash between the true and fair and the prescriptive approaches, and the Seventh has generated disagreement over the legal and the economic concepts of groups.

Such gaps must be bridged, however, if the benefits of unified capital market services are to be provided for companies and investors within the Community.

At present these capital markets tend to be sharply segmented, in obvious contrast to the way that capital can flow freely around the U.S. within a framework determined by a central regulatory agency, the Securities and Exchange Commission.

One fundamental problem is that individual countries reserve the right to maintain foreign exchange restrictions, as do France and Italy at present, for example. Only some sort of monetary union could solve this difficulty completely.

In the meantime, the Commission is ploughing ahead with the long-term programme of directives which regulate company reporting and the operations of stock exchanges.

These include a directive on the conditions of admission of securities to stock exchange listing, and a directive on the drawing up of prospectuses (formerly the Sixth company law directive). There is also a directive on the disclosure of half-yearly information by listed companies.

July this year was the deadline for the passing of implementing legislation by member countries, but as with other kinds of financial rule making the process is not proving an easy one.

There is no immediate sign, for instance, that the UK will implement these directives. Indeed, it is proving far from straightforward to decide exactly how the implementation should be achieved.

As usual, there is e clash of cultures involved. In this particular case the problems centre on the self-regulatory nature of the London Stock Exchange, which has its own very elaborate Rule Book. Whereas in some continental member countries it is normal to pass detailed securities market legislation, in the UK there is a basic dilemma over the balance between self-regulation and the statutory framework.

Barry Riley

Heavy plant alliances

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among various companies.

The Dunlop-Pirelli deal was born in optimism in 1970 but was soon under strain. Pirelli was in difficulty because of the deterioration of the Italian ecooomy, and Dunlop soon had to make a £41.5m provision against its original investment in Industrie Pirelli. It refused to put more money into Pirelli and so, later, when Dunlop was in trouble, Pirelli refused to belp it.

The initial terms of the egreement provided that each company took a 49 per cent stake in the bome country operations of the other and 40 per cent of its export operations.

Sir Campbell Fraser, Dunlop cbairman, said wben it was over that if the union had resulted early on in the creation of one single business, the outcome might have been different.

Indeed, a common weakness in these unions is that they have not been complete mergers. It was as if the partners were sceptical from the outset and wanted to leave themselves an escape batch.

By contrast, of the dozens of trans-national takeovers in the past few years, some may have been unsuccessful, but few if any bave been uravelled. Among the most significant in the beavy industrial sectors are Pilkington Brothers' acquisition of Flachglas in West Germany in 1981 and the takeover of the German machine tool builder Burkhardt and Weber by George Fisher of Switzerland last year.

Until its financial collapse last month, the West German IBH group of construction equipment manufacturers represented an impressive assembling of a number of European and U.S. companies to form the fourth largest group in the world in this sector.

The mejor trans-netional acquisitions this year include the takeover of control of Fenwick, the French lift truck manufacturer by Linde of West Germany and tha takeover of Steinbock of West Germany by Britain's LancerBoss.

One deal that started out as a joint development project became an acquisition this year when one of the partners got into financial difficulty. Voest-Alpine of Austria bought out the interest of Korf Engineering of West Germany in a venture to develop new technology for the direct reduction of iron ore.

It is difficult to know if the more recent co-operation deals will be more successful than those of a decade ago. In that they are being conceived for mutual support in troubled times rather than for the better exploitation of an expected bonanza, they may be less likely to produca unpleasant surprises for the participants. Presumably the negotiators of alliances today are benefiting from the errors of their predecessors.

Perhaps the most important deal being discussed these days is that between the Belgian nationalised steel company, Cockerill Sambre, and Arbed, the Luxembourg steel company.

At an early stage, Hoogovens was elso involved in the talks, which aim to share production of steel products to improve efficiency while cutting capacity in line with the European Commission's demands.

The latest version of the plen would involva tha closure of Arbed's Steckel steelmaking plant and Cockerill's Valfil wire rod mill at Liege. Arbed would buy semi-finished steel from Cockerill to replace the lost production from Steckel and Cockerill's wire rod customers would be sold product from Arbed's Esch-Schifflange plant.

Another large proposed venture would involve Rolls-Royce getting together with Creusot-Loire of France to make gas turbine power generatioo sets.

The impetus for the venture came last year wben the U.S. Government put an embargo on sales of U.S.-designed bnt European-made gas turbines and compressors to tha Soviet Union.

Rolls and Creusot would be eble to offer all-European technology, with Rolls supplying industrial versions of its aero engines and Creusot its generators.

Neither company has givea any detail of the kind of deal it is negotiating, and it has been emphasised that there is no hurry to concluda one because world markets for this equipment remain very depressed.

Harsh exchanges over subsidies have resulted from the belief that the disputes procedure has been manipulated by the Europeans

GATT states look to the future

A PESSIMIST could find plenty of evidence to support the view that the last 12 months have produced more talk about saving the world from a slide into protectionism than action to prevent it.

Europe's trading partners in the Third World complain that the EEC is becoming more, not less, closed to the exports—especially agricultural produce—upon which they depend to manage their debt and modernise their economies.

Even within the Community, scant progress has been made in removing technical barriers to trade. The Poitiers ploy used by France to control Japanese video recorder imports is still sending ripples of alarm round the globe.

The EEC is meanwhile under mounting pressure from the U.S. to reform the Common Agricultural Policy (CAP) and is living under the shadow of retaliation that could start a trade war in agricultural subsidies. For their part, European steelmakers have been enraged by the U.S. decision to follow last year's "voluntary" restraint on their carbon steel exports with quotas and tariffs on special steels this year.

Both these trading superpowers are still at odds with the Japanese, and continue to demand yet more positive signs that Japan is opening its doors. A team of Japanese industrialists and retailers has just completed a tour of European capitals in an effort to demonstrate that access is possible to those who make the necessary effort.

Further fall

Always in the background is the fear that financial rescue of the indebted nations of Latin America and Africa will be achieved only at the price of a further fall in those countries' imports, and that commercial bank lending will dry up, with the same results.

The optimists, while accepting all the evidence, can none the less justifiably claim that it all could have been a lot worse considering the depth of the economic recession that has occurred. Even Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), believes that the climate is improving despite the multiplication of bilateral trade restrictions.

He said in a recent interview: "During the last six months I have heard and read more and more of political leaders assessing how we can restart the process of further opening markets. The fact that people are thinking about how to make progress instead of thinking about their next protective measures means there is a beginning of a change of atmosphere."

Last November, ministers of the Gatt member states failed—it is generally thought—to achieve much of anything, largely because of rows about EEC agricultural subsidies and about U.S. efforts to add trade in services to the Gatt rule-book.

Acrimony

These and other issues were left for the Gatt secretariat to study, with a view to reporting to the 1984 annual meeting. Not least because of the acrimony that agricultural export subsidies have created between the U.S. and the EEC, Mr Dunkel considers the subsidies issue "one of the key problems in the trade field at present."

It has produced harsh exchanges inside the Gatt, not least because the U.S. and supporters like Australia believe the disputes procedure has been manipulated by the Europeans to fudge the outcome of several important recent cases.

For example, tha U.S. won a rare first-round victory with a complaint that exports of pasta by Italy were unfairly subsidised, only to see the verdict weakened and delayed at the next stage of the process.

This and other cases have stiffened the Americans' resolve to make their point by other means—a bilateral solution achieved by threats of retaliation if necessary. It has also increased the pressure on the Gatt to redefine its regulations and codes in such a way as to make clear-cut verdicts inescapable in future.

The subsidies problem is not confined to agriculture, of course. Almost any government incentive designed to build up a new industry—information technology for example—or to wind down an old one—like steel—can be regarded as a subsidy that confers an unfair competitive advantage.

Likewise, government procurement can be a protective mantle for domestic industries—although the Gatt recognises that much defence ordering will inevitably be placed at home. It is another facet of the same issue that the Gatt secretariat has been charged with examining.

Work on the other principal issue, trade in services, will begin in earnest in a few weeks' time when the Gatt has received submissions from about 10 of the countries with the greatest stake in a new regime.

European governments, with the exception of the British, have generally been lukewarm about the idea of making rules in the Gatt to cover market access for banking, insurance, data transmission, personnel recruitment, tourism and the myriad of activities under this heading.

Developing countries have been not lukewarm but hostile, believing that the U.S. is seeking to colonise their economies. They argue too that the Gatt is not the right forum, as the Americans claim, even if it were possible to identify and dismantle the barriers to trade in services.

These and other issues will be aired at the 1984 Gatt meeting. Meanwhile, the U.S. continues to suggest that it is time to prepare for a new multilateral negotiation to follow the Tokyo Round of tariff cuts that are still being introduced.

The Japanesa government has recently endorsed the idea—a gesture of support to President Reagan during his visit to Tokyo, but also an expression perhaps of Japan's own impatience with the "voluntary" restrictions on its cars, consumer electronics and steel that it is forced to accept for fear of something worse.

New round

Mr Dunkel is anxious lest the Gatt be rushed into a new round, when so many of the old problems remain to be solved. He recognises as crucial one possible purpose of a new round—to sort out trade relations between North and South. But he wants the Gatt to be allowed to complete its present programme of work without the pressures and prejudices that the imminence of a new round might create.

"We have a good deal of very serious problems relating to trade in goods, the incontestable area of the Gatt's activity: issues like subsidies, trade in agriculture and safeguards.

"I want the problem to be dealt with. If to deal with them we have to negotiate a new round or we have to have a ministerial meeting—then those are possibilities. But it is important we should not think that to get ministers together or to launch a new round will mean the problems are solved. We should not jump to the notion without thinking and preparing very carefully."

Christian Tyler

Japanese consumer goods figure prominently in European shop windows. Tokyo has accepted "voluntary" restricts on its exports for fear of something worse

Paul Cheeseright reports on the lifting of trade restrictions

EEC-Efta barriers fall

THE LAST restrictions on free industrial trade between the EEC and the seven countries of the European Free Trade Association—Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland—fall away on December 31. The EEC will fully open its frontiers to Efta paper products on January 1.

That completes the initial process of liberalising trade throughout Western Europe which began in 1972-73. The basic agreement has achieved what it set out to do—the expansion of trade. Now both the EEC and Efta, in a low key way, are starting to explore further patterns of co-operation—they are coming to the second generation issues.

Generalisations are difficult for such a heterogeneous group of countries but there is a broad stream of economic movement with the two organisations moving roughly in parallel. Efta predictions suggest that although Efta economic growth will be slightly lower than the average for the Organisation for Economic Co-operation and Development (OECD) next year, it will be slightly higher than that for the EEC.

By the end of this year Efta growth should turn out at about 1 per cent, moving to 2 per cent in 1984, with Sweden and Finland standing out from the average with growth rates respectively of 3.5 and 3.7 per cent. Both groups, though, are likely to see some increase in unemployment and some fall in inflation.

Trade between the two group should pick up from the low point of 1982 when Efta's imports from the EEC were worth $60.6bn, or 3 per cent down on 1981 and its exports were $53bn, down 3.2 per cent from 1981.

But this is not to say that there are no fears for the future or no nagging technical issues to be resolved in the relations of the two groups.

The gentle phrasing of the Efta ministerial council communique last June shows where one of the most acute difficulties might lie. "With regard to the efforts within the Community to strengthen its internal market, ministers stated that these were being followed closely and with interest.

"They expressed the hope that solutions be found which will take into account the particular nature of the relations between the Efta countries and the Community."

Halting efforts

The fear is that the EEC's halting efforts to strengthen its internal market will be accompanied by measures which stiffen the trade barriers around it. "We saw what happened in France and got scared—what will happen to us?" asked one diplomat in reference to the sudden French decision earlier this year to funnel all video cassette recorders imports through Poitiers.

Efta countries have observed that in the EEC discussions on the internal market has been France which has created a link between freer trade within the Community and a harsher external trade policy.

"We're more scared about the member countries than the European Commission," the diplomat went on. "We see the Commission as a guarantee for the functioning of the free trade agreement."

There is also the same sort of sentiment about the evolution of a common EEC industrial policy, although it is recognised that the EEC itself is far away from establishing such a policy.

The EEC's problem with the internal market has thrown up discussion about rules of origin and common certification of products and it is precisely in this area that Efta sees the need for further development.

On April 1 this year changes came into effect which cover virtually all engineering products. Efta amended its origin rules so that they correspond to the origin rules being implemented for engineering products within the framework of the EEC-Efta agreements.

It was established that engineering companies have a choice of alternative grounds for saying that their products are duty free. There was the normal one—that certain processing rules had been met. The new one was that a product will be duty free when no more than 30 to 40 per cent of a product's value comes from materials or components from outside the free trade area.

But two months later, the Efta consultative committee was demanding what it called an "improvement of the cumulation system." This problem, the committee observed, was as important as the alternative percentage criterion.

"When an Efta importer has bought free trade products from an Efta country or the Community, he should of course also be able to benefit from the free trade agreements when he re-exports these products to another free trade partner, said a committee paper.

"The current provisions on cumulation are, however, excessively restrictive in cases where the products are re-exported after further processing during which third country materials have been added to the imported free trade products," the paper claimed.

The question of the rules of origin is an indication of the joint work which needs to be done if the existing agreements are further to be consolidated through the progressive removal of non-tariff barriers to trade.

A key area here is standards. The EEC has started work and has been seeking to edge forward to a common standards policy. Efta believes there should be greater cooperation on the issue between the two groups. But there are bound to be difficulties given the different approaches in such a wide variety of countries. Similarly, if trade is to flow more smoothly, then the 17 States involved will have to ensure parallel movement on issues like labelling and the general recognition of national certificates.

But even if such technical issues are resolved on a common basis, they will still not be adequate of themselves to create an area of genuinely free trade.

The agenda of relations for the rest of this decade and the 1990s will of necessity have to cover an approach towards a more harmonised competition policy and the use of government subsidies for industry.

Such an approach may take place within the forum of the OECD on competition and within the General Agreement on Tariffs and Trade with regard to subsidies. But both Efta and the EEC already have in common the same sort of crisis industries where officially aided retrenchment is taking place—steel, textiles and shipbuilding for example.

Already there is some co-operation taking place in research areas, and countries like Sweden are keen to take part in the EEC's developing policies for high technology—like the proposed EEC-private sector collaboration plan to foster joint research into information technology sectors—the Esprit programme.

The more co-operation there is in such areas then the better the chances for a closer degree of economic and monetary policy convergence. But as the EFTA experience has shown this is a long and hard slog.

It seems unlikely, however, that in the medium term there is going to be a much higher level of political co-operation. The same factor which has prevented this in the past remains active—the presence of neutral countries within Efta. But a country like Norway, having put aside the uncertainties which arose from first negotiating to join the EEC and then not doing so, is showing increasing concern to be kept abreast of political movement within the EEC.

Oil use for electricity is still falling as demand drops

Energy changeover continues

WESTERN EUROPE, on the face of it, is making smooth and sweet progress towards its member countries, common goals of reducing dependence upon imported oil and gradually replacing oil as a fuel for generating electricity. Since 1979, energy consumption in the EEC has fallen by over 11 per cent.

Between 1973 and 1982, oil's share in total inland energy consumption in the EEC countries fell from 61 per cent to 49 per cent and is on track, according to projections supplied by member states to the European Commission, to approach within a whisker of the Commission's 40 per cent target by 1990.

Solid fuels and nuclear power now account for 70 per cent of the energy input to power stations, up from 50 per cent in 1973. By 1990, the commission's targets of 70-75 per cent, should, say the projections, be comfortably exceeded.

The energy intensity of the Community members has meanwhile, continued to slacken. It is now reckoned that, for every percentage point of economic growth, energy demand will grow only by half a percentage point—another dramatic change from 1973, when the ratio was 1:1.

Organisations like the European Commission and the Paris-based International Energy Agency, whose task it is to reflect upon the strategic energy questions facing the Continent, are far from happy.

Partly, they fear that these figures have created a mood of complacency, encouraging governments, corporations and households to slacken their interest in both energy conservation and in further broadening the energy mix.

They also doubt the validity of some of the numbers. The projections, for example, depend upon huge nuclear power plant construction programmes in countries which lack either the investment resources or the political will or both.

ENERGY USE IN THE EEC

	1973	1979	1982	1990 (est.)
Energy consumption (millions of tons of oil equivalent)	931	985	872	1,065
Oil consumption (mtoe)	564	537	425	432
Oil as proportion of energy consumption (per cent)	61	54	49	41

Source: European Commission. Forecasts: submissions of member states to commission.

There is also doubt about the extent to which the drop in *energy intensity is structural* and therefore permanent rather than merely a reflection of reduced activity in steel, chemicals, cement and other heavy energy consuming industries.

For the true pessimists, there are also figures which can be used to counter the impression of sharp progress. The Commission, for instance, pointed out in a recent report that in spite of the reduced dependence upon the Organisation of Petroleum Exporting Countries, energy imports still cost the Community 3.8 per cent of its GDP—the same figure as in 1974.

None of these things would matter so much to the strategists were it not for the single most important energy phenomenon of recent months; the falling oil price, which is threatening to undermine the economic basis of some longer-range projects in alternative fuels (not to mention the production of high-cost European offshore oil). Even if that thought is judged too speculative at current oil price levels, there is little doubt that any significant economic recovery in Europe would see oil used extensively in industry and, to some degree, in power generation to meet higher demand.

That satisfyingly downward trend in the share of oil in energy consumption could, in such circumstances, start to look rather fragile.

This, inevitably, is a difficult sermon for the strategist to preach at a time when Europe is swimming in surplus energy of every kind. Coal and oil stocks are high and gas supplies have become so abundant that the Dutch Government, previously anxious to retain supply for indigenous use, is considering relaxing its ban on new export contracts.

Anxiety

The surfeit of gas has also much reduced the level of anxiety in certain quarters about the prospect of West Germany building up to a 30 per cent reliance for its gas supplies upon the Soviet Union.

Although questions are still being asked inside the IEA about the security of supplies, it is difficult to achieve political momentum for tightly controlled contingency arrangements when there is a glut.

This backcloth presents obvious difficulties for the policymakers. Although the Commission is content to adopt a non-interventionist approach, say, to an oil refining industry operating at about 60 per cent of capacity and where over-capacity is expected to persist until at *least 1990, a strong* desire to promote actively the fortunes of nuclear power and coal is not easy to convert into effective policy.

Apart from an important programme of research and demonstration projects, the Commission has struggled to find ways of supporting investment in coal-consuming projects only to see its programme reduced to a pawn in the Community budget game.

At the national level, the focus of the two largest coal-producing countries, Germany and Britain, is to reduce the size of the uneconomic tail of the industry, but politics suggests this will be a slow process in both cases.

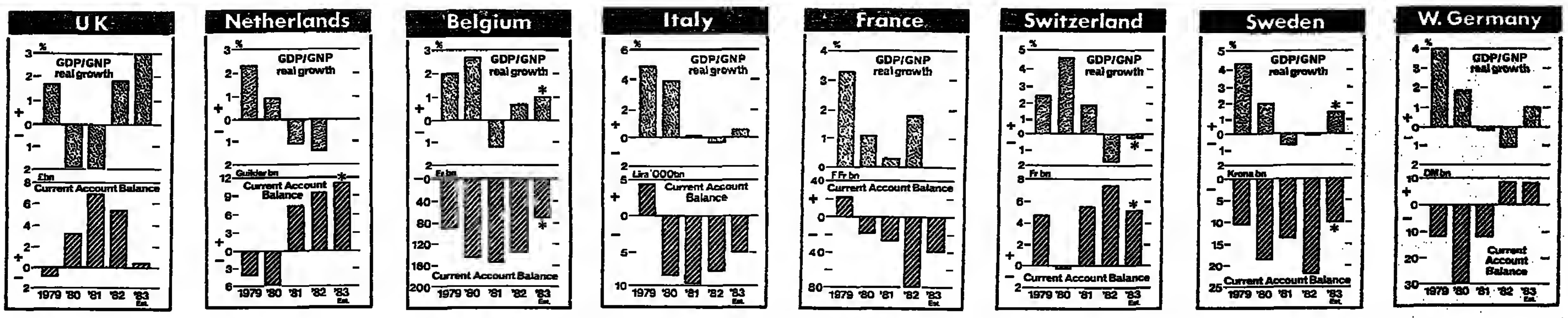
State aids are flowing into coal at a rate of about 10 ECUs (£5.70) per tonne of output. The German Government has resisted the more ambitious Commission ideas for subsidising coal consumption because it believes the benefit will go to the importers, with whom neither its own nor any other West European coal industry can compete.

Nuclear power continues to make steady progress and with electricity demand well below levels projected 10 years ago, utilities have been able to retire or mothball much older, less efficient capacity as nuclear output has grown. The growth of nuclear power, however, remains very uneven from France at one extreme to countries like Ireland, which have no nuclear power.

The environmental doubts surrounding nuclear power remain an important factor in several countries, although in Germany there is some sign that coal, as the alleged producer of acid rain and the destroyer of much German woodland, is taking nuclear energy's place as the environmentalist's energy bête noire.

As for the production of fossil fuels, Europe's hydrocarbon output is now thought to be at or nearing a peak, although the figures are highly sensitive to price factors. The British Government has stimulated North Sea activity this year by tax concessions to the oil industry, but doubts exist about the economic viability of major developments like Norway's Troll gas field.

Ian Hargreaves



A review of the economic prospects for eight leading countries

The UK

IT IS not at all clear, within a wide margin of error, what has been happening to UK Gross Domestic Product. This is because of a widening disagreement between the three measures of it which should in theory be identical.

The discrepancy now accounts for quite a large portion of the disagreement between different economic bodies about the current rate of recovery.

The output measure, based on industrial output and other activities, suggests an annual growth rate of 1.6 per cent to 1.7 per cent in the two years to the second quarter of 1982. However, measurement of total national income during the period suggests a growth rate of nearer to 3 per cent during the period.

The contrast is particularly striking if one takes the four-year period since the second quarter of 1979, the last peak of economic activity. The output measure suggests that GDP is still nearly 4 per cent below that peak while the income measure suggests that it is less than 1 per cent below the peak.

The British Treasury, which uses a compromise between the three measures, believes the economy is currently growing at an annual rate of about 3 per cent and that this growth rate will be sustained next year.

The Treasury is also more optimistic than the consensus about the future path of inflation, which it expects to fall from the present annual rate of about 5 per cent to 4½ per cent by the end of next year. Most independent forecasters suggest 6 to 6½ per cent.

Overall the view is that unemployment will stabilise at around 3m excluding school-leavers representing just over 12 per cent of the total available labour force.

MAX WILKINSON

The Netherlands

THE CURRENT, bitter dispute over pay between the Dutch Government and its public employees has cast something of a cloud over the Netherlands' economic performance in recent weeks. But the wave of strikes, working-to-rule and other protests ought not to conceal something of greater long-term significance. After years of drift, the financial and social organisation of the Dutch state is being brought under firm control.

Some mistakes have been made, and progress in some areas is less than clear. Yet, overall, the economy is beginning to move forward again, with austerity providing a surer motive force than mere optimism. Mr Ruud Lubbers, the Dutch Premier, and his colleagues in tha centre-right governing coalition, have stopped throwing money at problems. Instead, they have cut and pruned, hoping to secure stronger growth by the end of the present parliamentary term, in 1986.

This year, the Government has instituted public spending cuts worth Fl 15bn, resulting in a financing deficit of around Fl 33.4bn, excluding repayments of the national debt. For 1984, reductions in expenditure should total Fl 11.8bn, leaving outgoings in percentage terms, public borrowing this year should reach 12.4 per cent of net national income, against an estimated 12.1 per cent for 1984. The target for 1986 is 7.4 per cent.

It might appear that progress is slow. What is striking, though, is the fact that, at last, the deterioration has been reversed. For once, the graph shows improvement in the Treasury position.

If Mr Lubbers can stick the pace, there is a real chance that deficit financing will be brought within bounds by the end of the decade.

At the same time, substantially more funds will be available on the Dutch capital markets for use by industry. At present, some 70 per cent of available funds are taken up by State loans.

In terms of trade, the Dutch enjoyed a surplus worth Fl 8bn for the first six months of this year. Mr Lubbers predicts a surplus on the current account of the balance of payments of Fl 10bn. He may err on the side of caution here. Some economists are looking to a surplus of as much as Fl 12bn.

On the debt side, unemployment now affects 17.7 per cent of the Dutch labour force, one of the worst percentages in Europe. More than 830,000 Dutch men and women are now without a job. In addition, the dispute over proposed 3 per cent cuts in public sector pay has proved an unhappy experience for all involved. The scars left may be lasting.

WALTER ELLIS

Belgium

CONDITIONS IN the Belgian economy are likely to remain tight over the next few months with domestic demand continuing sluggish and hopes of recovery pinned on the export markets.

This year, during the first half the trade balance of the Belgo-Luxembourg Economic Union recorded a deficit of BFr 87bn compared with BFr 190bn in the same period of 1982. But if the improvemuch depends of the competiveness of Belgian industry. The effects of the 1982 devaluation of the franc have begun to wear off.

Tha Federation des Entreprises Belges, the employers grouping, is expressing serious concern that competitiveness will be eroded next year as wage costs go up 8.1 per cent against an average of 5.4 per cent among Belgium's main trading partners in Western Europe.

After that the outlook is even more uncertain. The International Monetary Fund is recommending that the present system of wage restraint should continue rather than return to full indexation after the end of 1984.

A small increase in the volume of the gross domestic product is expected next year but the signs of a sustained recovery are still missing as industrial investment remains at a low level.

At the same time, despite government efforts to restrain official spending, the continued high level of public expenditure is seen in business as a continuing drag on the economy. In the first seven months of this year the Government's net borrowing requirement was BFr 435bn, or BFr 60bn more than in the same period of 1982.

PAUL CHEESERIGHT

Italy

ITALY WILL enter 1984 with its economy showing only the first faint signs of recovery from recession, with its inflation rate more than twice the average level of its competitors and with its current account balance of payments still in deficit.

Nevertheless, the Government of Sig Bettino Craxi, the Socialist Party leader, is predicting 2 per cent real growth for 1984, compared with a decline of more than 1 per cent this year. It also intends to reduce inflation from the average of 15.5 per cent, which will be registered this year, to an average of 10 per cent next year—though the annual rate in October was already down to a little over 13 per cent.

Italy went into recession late, having negative growth only from 1982 onwards. With successive governments unable or unwilling to cut their spending, the public sector deficit swelled to 17 per cent of GDP last year, providing ready fuel for inflation, which is reinforced by wage indexation. But efforts to reduce the balance of payments deficit, mainly by monetary measures, have borne fruit: the deficit will ba about L2,000bn (£830m) this year on current account, compared with last year's deficit of L7,400bn.

Because of the high inflation rate, however, Italy can only enjoy growth caused by rising exports to markets such as West Germany. This growth will also be constrained by the need to prevent the balance of payments deficit from worsening again as Italy has a high propensity to import. Most observers are therefore sceptical as to whether the Government's growth forecast of 3 per cent for next year is likely to be attained.

There is also scepticism, reinforced by a recent report by the International Monetary Fund about the prospects of reducing inflation to an average of 10 per cent next year—other predictions go as high as 13 per cent. Much, however, depends on whether the Government succeeds in the next few weeks in introducing an incomes policy involving e sharp reducion in wage indexation.

The IMF also warned that the continuing high public sector deficit was a "time-bomb" threatening both higher inflation and balance of payments trouble, and that if nothing were done to curb speeding the Government could find itself unable to sell its Treasury bills, however high it raised incomes interest rates. Next year, 1984, should therefore be a difficult year for Italy.

JAMES BUXTON

France

THE FRENCH economy is now beginning to feel the full impact of this Spring's austerity measures. Real GDP fell by 0.3 per cent in the third quarter, reflecting declines in consumer spending and investment.

The fall would have been steeper but for the strong surge in exports over the last six months which has helped to maintain the level of industrial production. As it is, France is now expected to avoid a dip into recession and end the year with a modest 0.6 per cent growth in national output.

Forecasts for next year assume a continuing period of stagnation with real GNP rising by 0.2 to 1 per cent.

The sharp rise in exports has been the major factor accounting for the unexpectedly rapid reduction in the trade deficit. Coupled with a cutback in imports as a result of the squeezing of domestic demand and oil companies reducing their purchases of crude the trade account has been close to equilibrium in the three months up to October.

The deficit for the year is expected to be about FFr 50bn after last year's FFr 103bn. The current account deficit is also expected to fall from last year's FFr 79bn to about FFr 40-45bn benefiting from both the improvement in the trade account and a strong increase in tourist receipts.

The failure so far of the stabilisation measures has been the lack of any significant falling in the inflation rate which is likely to remain at 9.3 per cent this year after last year's 9.7 per cent. But the Government, with the help of the private sector, is now attempting to force down the level of wage settlements.

Unemployment still remains close to the 2m mark but the unemployment statistics do not yet reflect the significant shake out now taking place in industry.

DAVID HOUSEGO

Switzerland

THE SWISS economy is very slowly pulling out of the recession which, in 1982, led to a drop in real terms of 1.2 per cent in gross domestic product (and one of 1.5 per cent in gross national product). GDP was down in annual comparisons by real rates of 1.4 and 0.7 per cent in the two first quarters of 1983, respectively, but for the year as a whole is expected to be lower by only about 0.5 per cent than for calendar 1982.

All forecasters believe there will be a rise in price-adjusted GDP in 1984, although estimates as to growth rates vary from 0.5 to 1.6 per cent.

Unemployment continues at about 0.8 per cent, but this is relatively high by Swiss standards and there is widespread short-time working, which affects about a further 1 per cent of the workforce.

Inflation is running very low. In both September and October the annual inflation rate was only 1.4 per cent, the lowest since January 1979.

Switzerland is faced by a very large deficit on merchandise trade, up 46 per cent for the first 10 months over corresponding 1982 figures. For 1983 as a whole, the trade gap could be the widest on record other than that of SwFr 11.25bn in 1980: at present the 1983 shortfall looks like being not much below SwFr 8bn. Nevertheless, Switzerland will retain a sizable surplus on current account—though one noticeably lower than last year's SwFr 7.38bn.

JOHN WICKS

Sweden

THE SWEDISH economy has recovered sharply since the sharp 16 per cent devaluation of the krona was pushed through by the incoming minority Social Democrat Government in October last year.

Exports have boomed as industry has taken advantage of its newly-won competitiveness in international markets. In the first nine months of the year exports jumped by 12 per cent in volume compared with the same period last year. In the ten months from January to October the country had a trade surplus of SKr 10.9bn compared with a deficit of SKr 1.4bn a year earlier.

The turnround in Sweden's trade balance has also been helped by the depressed state of the domestic economy — real disposable incomes have fallen for tha last three years—which has held down the rise in imports to just 3 per cent in volume in the first nine months of 1983.

The current account is still burdened by the growing interest payments on the country's heavy foreign debt, but according to the latest government forecasts the deficit on the current account should be reduced to SKr9.5bn this year from last year's record level of SKr22.2bn. Next year the deficit could come down to SKr 5bn according to finance ministry forecasts.

The sharp rise in exports has also helped to boost industrial production, which has risen by about 8 per cent in volume over the 13 months since August 1982.

Higher production has not yet been reflected in lower unemployment, however, as increased output has been achieved chiefly through improved productivity as unused capacity has gradually been taken up. Official unemployment has been running at 3.5-4 per cent, but the jobless figures are kept artificially low in Sweden through far-reaching job-creation programmes. Between 7 and 8 per cent of the workforce are outside the open labour market.

Thanks solely to higher exports, Sweden's gross domestic product is expected to show an increase of around 1 per cent this year after the recession years of 1981 and 1982, and the Government is predicting an increase in GDP of 2.8 per cent next year.

The major problems facing the Swedish economy are continuing high inflation — still running at close to 9 per cent on a year-on-year basis — and the large structural deficit in the central government budget, which is keeping Swedish interest rates at high real levels.

KEVIN DONE

W. Germany

THE ECONOMY in West Germany is expected to pick up along a broad front next year, with prospects of growth after inflation of up to 3 per cent, according to the November report of the Bonn Government's five-man council of economic advisers.

The majority view of the council is that the improvement now under way (1983 real growth: 1 per cent) will gain strength next year, with a pick-up in exports of a real 4 per cent against a 1.5 per cent contraction this year and doubling of capital spending to 6 per cent.

The "five wise men" even expect unemployment to drop marginally as an average next year to 2.25m, although monthly levels this winter could be over 2.5m at a time when trades unions are battling for a 35-hour week. Inflation is expected to remain more or less unchanged at 3 per cent.

JAMES BUCHAN

Tim Dickson on the role of small businesses

Speeding up the recovery

GOVERNMENTS ALL over Europe are looking to small businesses to speed up economic recovery, exploit new technologies, and make a dent in the universally gloomy unemployment figures.

There is now widespread recognition that small units often represent the most appropriate means of applying new production techniques, that structural change can only be brought about inside large industrial groupings with considerable difficulty, and that a thriving economy must have a fertile seedbed of young, entrepreneurial businesses.

While national and local development agencies are always anxious to land the big "green field" project — and continue to spend vast sums of money trying to entice large and medium-sized corporations over from the U.S. — European governments are equally conscious of the need to encourage local firms.

True, the big factory can bring hope to an economically distressed region at one dramatic stroke but expansion-minded big companies these days are less common than say 10 years ago.

Competition

At the same time competition for their "favours," is much greater with the rapidly developing economies of South-east Asia just as keen to get their share of big multinational car plants and other construction projects.

A pattern of small business measures can thus be detected in the major member states of the European economy. Most now have some form of credit guarantee scheme for businesses below a certain size. In the UK they are available through the banking system and underwritten by the Department of Trade and Industry, while in France and West Germany such measures are provided at both central and local government level.

Most countries also provide a host of measures and exemptions through the tax system while many are conscious of the sometimes restricted business skills in small companies and have experimented with a wide range of education and training initiatives.

While much has been achieved on the supply side to encourage smaller companies to become more competitive, governments generally have been more reticient to take steps directly to stimulate the market.

Some sections of the small firms community in the UK, for example, have been clamouring for measures to improve their access to the large sums of money spent annually by the public sector.

In France, by contrast, small firms whose quote comes within 4 per cent of the most successful large company tendering for a contract are allowed a "second chance" to revise their bid. If they come up with comparable terms, they are awarded the work.

In Germany there are offices in Bonn and in ten regional centres where officials are responsible for ensuring small companies know what Federal Government contracts are available and for helping businessmen complete their tenders. There are similar arrangements at Laender level.

If there are similar themes running through many of the measures being taken by individual governments to encourage small businesses, the differences between the legislative and fiscal structures in the 10 member states are equally acute.

This will be highlighted in a forthcoming study commissioned by the UK Organising Committee of the 1983 European Year of Small and Medium Sized Enterprises and carried out by the London-based Economist Intelligence Unit (EIU).

The survey shows, for example, how in Italy social security payments by companies amount to 46 per cent of wages, compared with 11 per cent in the UK; how the UK and Ireland are alone in raising local revenue exclusively through property taxes (rates); and how corporation tax takes significantly different-sized bites out of profits, depending on a company's national base.

The EIU took a typical small company in each member state (same turnover, assets, employees, etc, in each case) and found that where pre-tax profits came to £50,000 the company could end up showing a figure below the line of losses many times that magnitude in the UK (as a result of the many reliefs) through to a fairly substantial profit in Italy.

Efforts to harmonise legislative and fiscal conditions throughout the European Community is, of course, high on the agenda at the European Commission in Brussels. So are initiatives to reduce the number of non-tariff barriers between nations (and to prevent their erection) in the cause of cross frontier trade.

Ironic

Although little headway has been made in most fields, except perhaps that of company law, Commission officials argue that small companies setting up in Europe cannot possibly compete with a counterpart in the United States — which has a market place of 200m people — if it is effectively restricted to its own relatively narrow national territory.

It is perhaps ironic, however, that the UK and Denmark implementation of the 4th directive on company law ahead of other member states has caused considerable resentment among certain small firm lobbyists who argue that the disclosure requirements put UK's small and medium sized companies at a competitive disadvantage.

Compared with what is available from national governments, the European Community hands out relatively little hard cash direct to small and medium sized enterprises. The European Social Fund and the European Regional Development Fund generally require an intermediary—either central or local government—to commit an equivalent amount while the Regional Fund quotas in any case mostly go to offset previous spending on national programmes.

The European Investment Bank and the European Coal and Steel Community both offer subsidised loans to small businesses in more depressed regions—they are now marketed by a wide range of intermediaries such as the clearing banks and ICFC in the UK—and the New Community Instrument or Ortoli facility (a mechanism set up to help finance investment projects) was last year extended to include money for small and medium-sized businesses throughout the Community.

A major new initiative to stimulate the flow of venture capital — called the European Innovation Loan (EIL) — is currently being discussed in Brussels and assuming the Council of Ministers gives the go-ahead it should be announced early next year. Initially 100m ECU (roughly £60m) will be available for the EIL, which will be in the form of subordinated loan capital, will carry a two year interest free period, and will be allowed to be taken up by companies needing working capital as well as cash for investment in fixed assets.

Businesses will only qualify, though, if an approved intermediary (such as a venture capital fund) agrees to invest an equivalent amount at its own risk (either as equity or quasi equity).

Doubts persist about how far venture capital institutions can become established in continental Europe. The traditional reluctance of entrepreneurs to give up an equity stake and the equally traditional reluctance of most European financial institutions to lend unsecured present two problems.

Another is the above mentioned divergence in laws and taxes which, added to different currencies and languages, venture capitalists see as hindering small company development in a truly European market.

The recent formation of the European Venture Capital Association — intended among other things to foster cross border co-operation between venture capitalists—could mark an important step forward.